COUNCIL REPORT

Edmonton

JURISDICTIONAL SCAN ON PROPERTY TAX ASSISTANCE PROGRAMS FOR SENIORS

RECOMMENDATION

That the February 15, 2023, Financial and Corporate Services report FCS01360, be received for information.

Requested Council Action		Information only	
ConnectEdmonton's Guiding Principle		**ConnectEdmonton Strategic Goals**	
CONNECTED This unifies our work as we achieve our strategic goals.		**N/A**	
City Plan Values	LIVE. THRIVE.		
City Plan Big City Move(s)	Inclusive and compassionate	**Relationship to Council's Strategic Priorities**	N/A
Corporate Business Plan	Serving Edmontonians		
Council Policy, Program or Project Relationships	N/A		
Related Council Discussions	N/A		

Previous Council/Committee Action

At the June 20, 2022, City Council meeting, the following motion passed:

> That Administration perform a jurisdictional scan on property tax assistance programs for seniors in comparable municipalities and provide a report with the results.

Executive Summary

- There are two common types of seniors' property tax support programs used in Canada:
    - Property tax deferrals delay the collection of taxes until the property is sold or transferred.
    - Property tax cancellations reduce or eliminate a property's municipal taxes outright.
- In most cases, including in Alberta, these types of programs are provided by provincial governments, though some municipalities choose to provide further support.
- Administration believes the current program options are both reasonable and administratively efficient.

REPORT

There are two common types of seniors' property tax support programs used in Canada: those based on deferring taxes, and those based on canceling or granting back taxes. This report describes these two approaches, and the table in Attachment 1 provides further information on programs available in select municipalities across Canada. In most cases programs are offered by provincial governments, with some municipalities choosing to provide further support.

Deferrals

Property tax deferrals are used to relieve tax burdens on lower-income property owners by delaying the collection of taxes until the property is sold or transferred. The deferred taxes are sometimes subject to interest charges but not penalties, and are meant to support those that may hold wealth in their property but struggle to pay taxes from their current income. Deferrals are the less costly approach to providing support for taxpayers since, aside from the cost of administration, the municipality or province will ultimately be made whole and no cost is shifted to other taxpayers. Deferral programs also make financial sense to the property owner as the equity of their property will typically increase at a faster rate than the interest charged to participate in the program - effectively allowing homeowners to unlock equity while continuing to build it as well.

An example of a municipal deferral program in Canada is the Property Tax Deferral Program in the City of Ottawa, Ontario. With this program, participants are not required to pay their property taxes until the property is sold or transferred to another individual. This program has been running since 2007, and currently about 200 households are enrolled, out of 427,000 total households in the city. In order to be eligible for a deferral, seniors must be at least 65 years old and receiving Old Age Security with a maximum annual household income of $45,357. Applications are managed within the City's Revenue Branch by seven full-time staff members, plus a supervisor.

Another example of a deferral program in Canada is the Government of Alberta's Seniors Property Tax Deferral Program. This program has been running since 2013, and currently about 2,150 of approximately 1,750,000 households across the province are enrolled. In order to be eligible for a deferral, at least one person on title must be at least 65 years old and there must be at least 25 per cent equity available in the home. Applications are managed within the Alberta Seniors and Housing ministry by two dedicated staff members. As of 2022, the Alberta program is budgeted at just under $8,000,000 annually with continuous reimbursements and disbursements as properties come on and off of the program.

Based on the jurisdictional scan, there are at least 15 municipal and provincial property tax deferral programs across Canada (see Attachment 1 for a summary of selected programs).

Cancellations/Grants

Cancellations or grants are also used to relieve tax burdens on lower-income households by simply reducing or eliminating municipal taxes. These are directly funded by the province or municipality, which means the cancelled taxes or grant amount as well as administrative costs are borne by other taxpayers.

An example of a municipal cancellation program in Canada is the “Property Tax Assistance Program for Eligible Low Income Seniors” in the City of Brampton, Ontario. This program has been running since 2010 and currently serves approximately 1,200 households from a total of about 189,000. In order to be eligible for a cancellation of $514 each year, seniors must be at least 65 years old and receiving the federal Guaranteed Income Supplement. Applications are managed within the City’s Finance Department in Corporate Services by one part-time staff member with assistance from a supervisor. As of 2022, the Brampton program costs just over $600,000 plus staffing requirements annually.

Based on research conducted by Administration, there are at least 16 municipal and provincial property tax cancellation programs across Canada, which are also detailed in Attachment 1.

Historical Approach and Recommended Approach

Historically, Edmonton did have a property tax grant program that provided an annual property tax rebate to low-income seniors based on the incremental tax increase from the prior year. This program was discontinued by City Council in 2014 when the Alberta Seniors Property Tax Deferral Program was introduced. The rationale at the time was that the grant program required internal resources to administer and attempted to support homeowners whose wealth was illiquid. The deferral program addressed this issue by allowing homeowners to access their home’s equity at a low provincial borrowing rate while continuing to live in their home. Because of the low borrowing rate, the interest accumulated over the course of the program would typically be less than the increase in the home’s equity within that same time period. This approach also removed the need for taxpayers to provide subsidized support for seniors in this situation.

Having reviewed both deferral and cancellation approaches across Canada, Administration believes the current approach, with a provincial deferral program, is the most reasonable and administratively efficient.

COMMUNITY INSIGHT

Seniors and their advocates frequently point out that many seniors are on fixed incomes, which limits their financial means. For example, in the public engagement leading up to the 2023-2026 City budget, some seniors on fixed incomes noted that if user fees increased they would no longer be able to access services. From these findings, it can be assumed that some seniors in the City of Edmonton, due to their reduced ability to earn income, may benefit from support as property taxes typically increase slightly each year. Edmontonians 65 or older, however, are able to access support through the Alberta government's Seniors Property Tax Deferral Program.

GBA+

The GBA+ considerations of this report, as with nearly all property tax policy matters, relate to the individuals who own property. As a practice, property taxation does not consider any individual's gender, race, ethnicity, religion, age or disability, in that the amount of taxes paid is based solely on a property's value. Due to the aging of the population, a growing proportion of Canadians are now aged 65 or over. According to Statistics Canada[1], between 1999 and 2016, the proportion of seniors with debt increased from 27 to 42 per cent. The median debt rose from $9,000 to $25,000. At the same time, median assets went up from $327,000 to $607,400. Two-thirds of the increase in debt was due to mortgage debt and around one-half of the increase in assets was related to real estate.

Younger seniors (aged 65 to 69) and those in higher income quintiles saw significant increases over the same time frame in both their debt-to-income ratios and net worth levels. For these seniors, a rising debt-to-income ratio likely reflects an increased capacity to borrow, for example through lines of credit financed against wealth in property as collateral. For other groups of seniors, such as those with lower levels of education or unattached individuals, increases in the debt-to-income ratio could be more consequential as their net worth may not increase as much as other groups of seniors.

Some of these seniors may be more at risk to have exceedingly high levels of debt relative to income, and therefore may be more financially vulnerable. For these seniors, a higher debt level could have consequences such as delayed retirement, lower levels of mental or physical wellbeing, and elevated levels of stress. Financial difficulties can also lead to fewer options for seniors if they have added needs for healthcare or other supports.

ATTACHMENT

1. Jurisdictional Scan on Property Tax Assistance Programs for Seniors

[1] Statistics Canada - Debt and assets among senior Canadian families: www150.statcan.gc.ca/n1/pub/75-006-x/2019001/article/00005-eng.htm