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City rolls out details of plan for tax deferral

Mortgage-free seniors, disabled people with income under \$35,000 will benefit

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Ottawa will soon be the first city in North America to allow low-income seniors and disabled people who own their homes to defer property taxes.

The move was spurred by Alta Vista Councillor Peter Hume after he tried and failed to help a senior citizen in his ward deal with increasing property taxes.

Tuesday, at an economic affairs committee meeting, the city's revenue department rolled out details of the plan, which was approved by council in the spring.

Starting later this summer, mortgage-free seniors and disabled people with total household incomes lower than \$35,000 will be able to apply to the city to defer some or all property taxes on their homes.

They must have owned the home for a year, and it can't be a second home or an investment property. Seniors need to be 65 or older in the taxation year, and people must meet the definition of disabled under the Ontario Disability Support Program to qualify.

People who qualify for the program will be charged five-per-cent interest per year on deferred taxes, and they can defer taxes until the house is sold or the deferred taxes and interest equal 40 per cent of the home's assessed value.

The program will be retroactive to this year.

The city's revenue manager, Ken Hughes, said after Mr. Hume brought the idea to him earlier this year, he looked for a similar program anywhere in North America to see how this had been done before, but he couldn't find any.

He said the interest being charged to people who use the program will offset the interest the city will have to pay on money it borrows to make up the drop in tax revenue.

Mr. Hughes said his department estimates about 1,600 seniors will use the program, but that there's no way of predicting how many disabled people will qualify and take part.

However, he said, with the interest charged, the city will never be left short on the revenue side.

"The program is revenue neutral no matter what," he said.

Mr. Hughes said his department will now print application forms and help develop an advertising campaign to be launched in late summer or early fall outlining the program.

For Mr. Hume, seeing the details of his vision Tuesday was "great."

For the past few years, he'd been trying to find a way to help a senior citizen in his ward who couldn't afford to pay his property taxes.

The man was retired and his total income was roughly \$27,000 per year before income taxes.

With his property taxes rising every year, the man simply couldn't afford to live in his home anymore.

This has long been one of the biggest criticisms of the property tax system - that it's regressive because it doesn't take into account people's ability to pay, punishing seniors and people who become disabled and have declines in their income.

Mr. Hume looked into the city's current property tax deferral programs for seniors and disabled people and found they offered little help.

Indeed, only six people were taking part in them this year.

Earlier this year, he hit on the idea of using equity in people's homes as a way to secure loans from banks at low interest rates.

He figured property owners could transfer some of that equity to the city in return for tax deferral.

He ran it past the city's lawyers and financial staff, and they didn't see a problem.

"Like a lot of things, it came out of necessity," Mr. Hume said Tuesday. "I just thought something should be done, and I'm glad we are doing it.

"It's a step forward to providing relief to people who are house-rich and cash-poor.

"The best place for seniors and disabled people to live is in their communities and in their homes, and this will allow some options to achieve that."

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