

Relief for Home Energy Provided through the Personal Income Tax System (PIT)

Issue

How much relief for electricity costs does Ontario provide through the PIT system, and who benefits from this relief?

Background

- Ontario does not provide direct tax relief specifically for electricity costs through the PIT system, however, notional relief for all home energy costs, including electricity, natural gas and other home heating fuels, is provided through the energy component of the Ontario Energy and Property Tax Credit (OEPTC) and the Northern Ontario Energy Credit (NOEC).
- The OEPTC and NOEC are delivered by the Canada Revenue Agency on behalf of the Province through the Ontario Trillium Benefit.
 - The energy component of the OEPTC, which is intended to reduce the sales tax on home energy, provides about \$450 million to about 2.5 million recipients.
 - The NOEC, which is intended to address higher home energy costs faced by people in the North, provides about \$25 million to about 165,000 recipients.

OEPTC Energy Amount

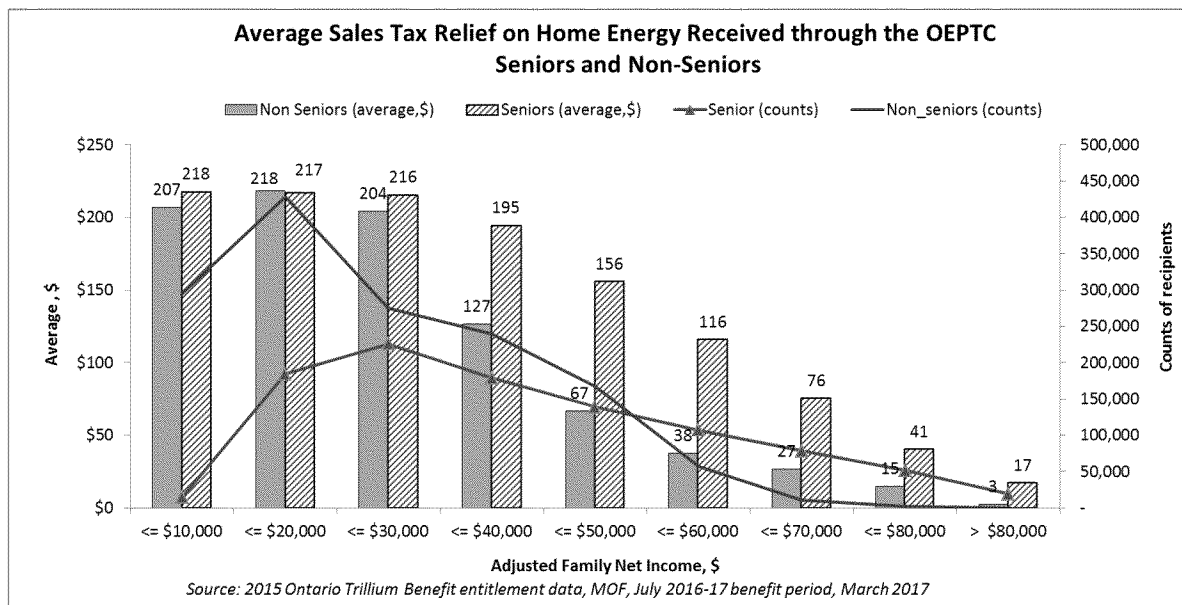
- Eligible recipients may receive up to \$227 through the OEPTC-energy for the 2017 benefit year (from July 2017 to June 2018).
 - The maximum energy amount is the same for singles, families, seniors or non-seniors, renters and homeowners.
 - The energy amount is combined with the property tax amount and reduced by 2% of net income above \$22,746 for single people and \$28,433 for families (\$28,433/\$34,119 for seniors).
- People in housing exempt from property tax (e.g., social housing) are not eligible for the OEPTC, and therefore do not get the OEPTC energy amount.
 - Exceptions are made for people living in public long-term care homes and on First Nations reserves.

NOEC

- Residents of Northern Ontario may get up to \$148 per single individual and \$227 per family.
 - The NOEC is reduced by 1% of net income above \$39,806 for singles and \$51,179 for families.
- Similar to the OEPTC energy amount, recipients must have paid property tax or rent, with exceptions for residents of public long-term care homes and people living on reserve in Northern Ontario.

Exhibit 1. OEPTC Sales Tax on Energy Relief Received by Seniors and Non-seniors

- Seniors receive slightly higher average OEPTC-energy amounts than non-seniors. Seniors also get to keep larger amounts on average at higher-income levels than non-seniors.
- This is due to higher income thresholds for seniors at which OEPTC starts being reduced.



*Note: Averages have been calculated based on a proportional allocation of the energy amount relative to the total OEPTC amount which includes property tax relief.

Exhibit 2. OEPTC Energy Relief Received by Renters and Homeowners

- Homeowners receive slightly higher OEPTC-energy amounts than renters.
- This is because the OEPTC-energy amount is capped at the recipient's occupancy costs (i.e., property tax or 20% of rent), which are generally higher for homeowners than for renters.

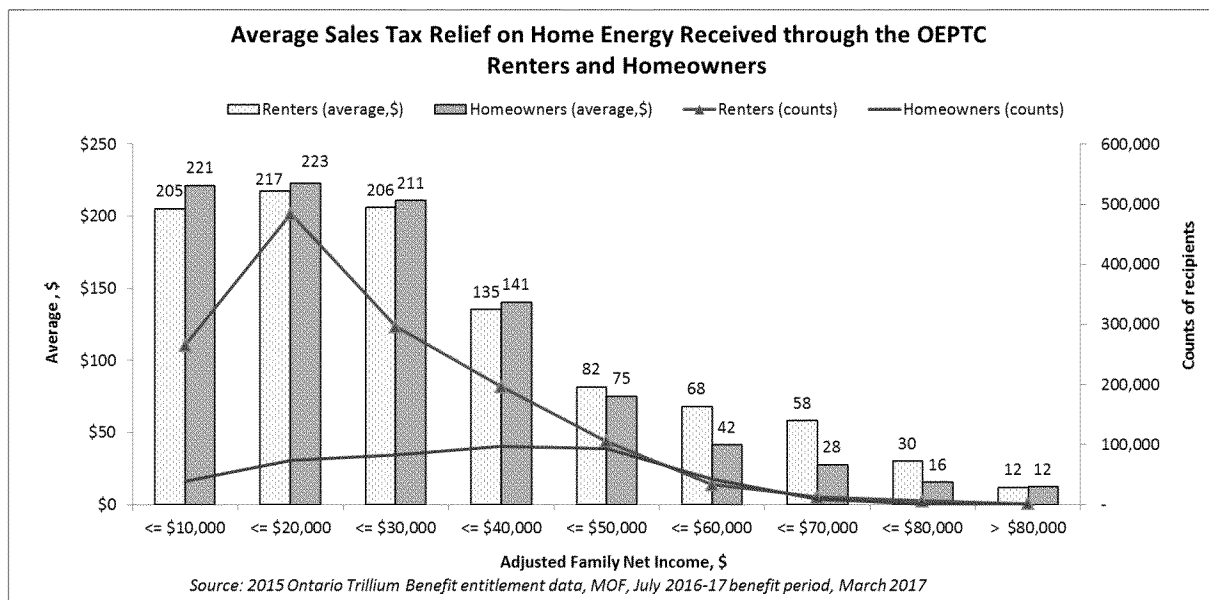


Exhibit 3. NOEC Received by Seniors and Non-seniors

- At lower-income levels seniors get lower NOEC average amounts than non-seniors, in part due to a many low-income seniors being renters and having lower occupancy costs.
- Seniors get almost the same average NOEC amounts at incomes between \$30,000 and \$40,000 and higher average NOEC amounts at higher income levels than non-seniors.

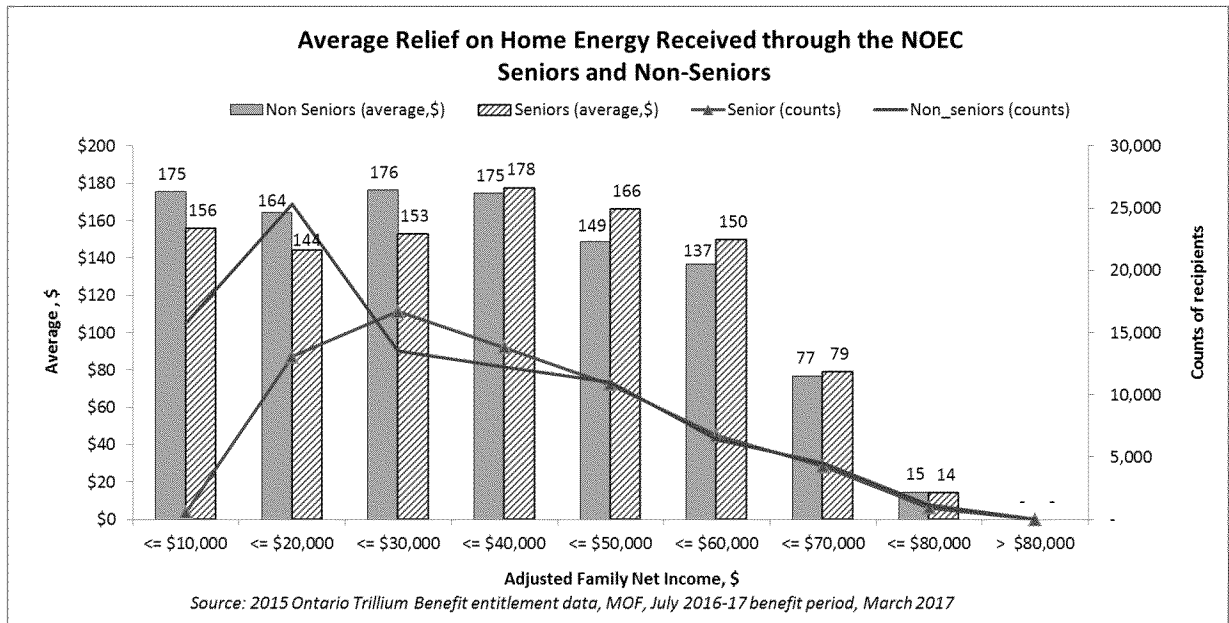


Exhibit 4. NOEC Received by Renters and Homeowners

- Homeowners in Northern Ontario get slightly higher amounts than renters. This is because NOEC is capped at the recipient's occupancy costs, which tend to be higher for homeowners than for renters.

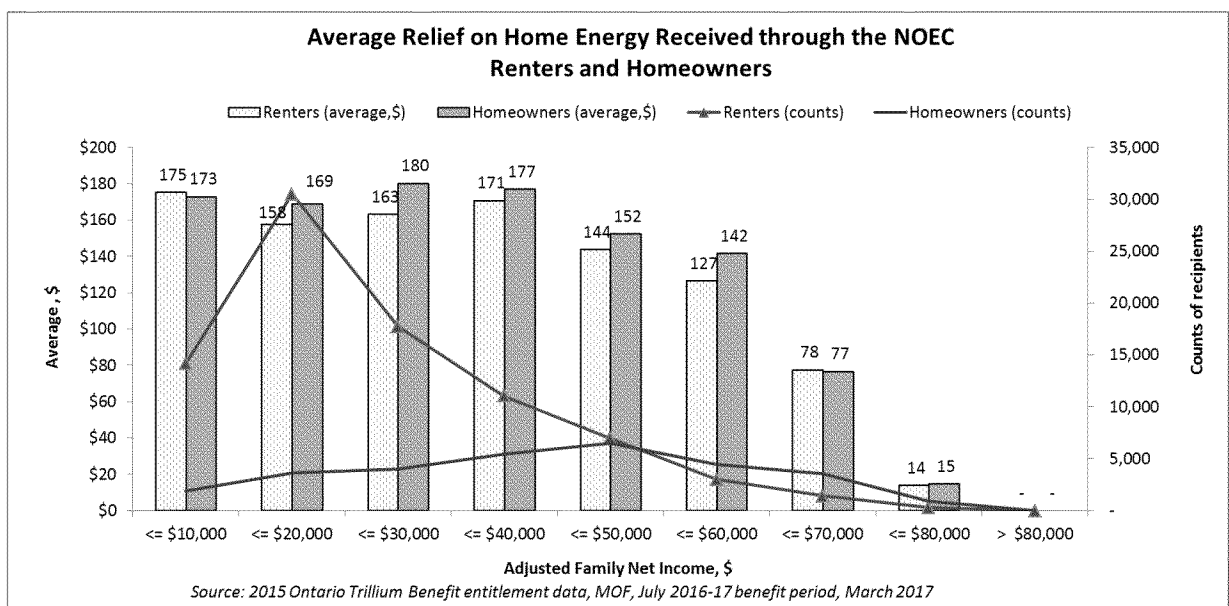
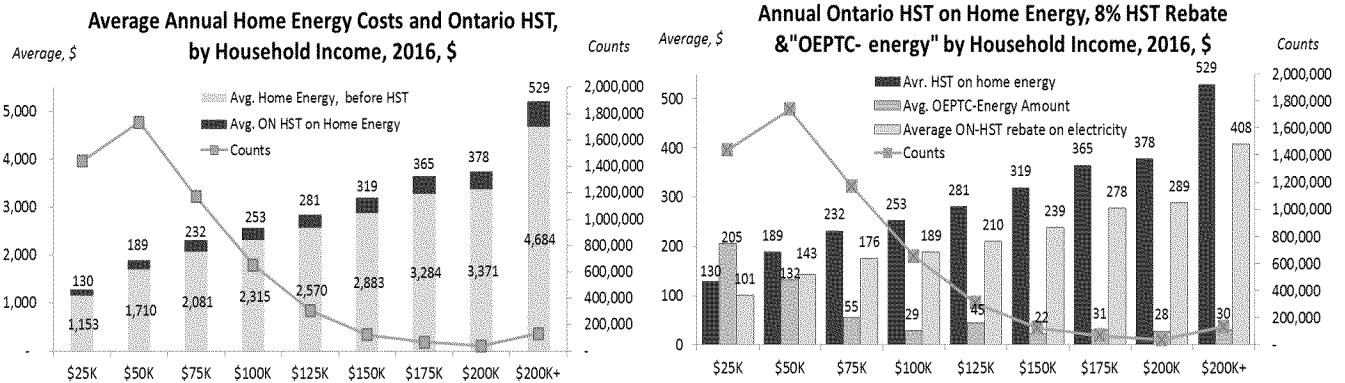


Exhibit 5. The Sales Tax Burden on Home Energy – all Ontario Households

- The energy portion of the OEPTC more than offsets the sales tax burden on home energy for households with incomes below \$25,000 (see charts below).
- With Ontario's 8% rebate on residential electricity bills that began as of January 1, 2017, on average, all households with incomes below \$75,000 will get more combined relief than the provincial HST they pay on home energy.



Source: Statistics Canada, SP5D/MV22.1, 2016 modeled environment