

**Report from** Financial Management Services, Billing

**Date of Report:** August 8, 2017

**Date of Meeting:** August 28, 2017

**Report Number:** FMS-B036-2017

**File:** 10.57.99

**Subject:** Taxable Staff Parking Benefit

## Recommendation

That the Budget Standing Committee (BSC) receives this report for information and consideration.

## Background

At the meeting of April 12, 2017, the Budget Standing Committee asked that staff report back on what the cost would be if the taxable benefit of staff parking was removed from benefits and how many people it would affect.

Since 2006, the Canada Revenue Agency (CRA) has said that employer-paid parking must be taxed as an employee benefit. Local governments did not agree to start collecting taxes until 2009 and later, after some municipalities disputed but failed to reverse a federal audit decision.

Canada Revenue Agency assesses employer-provided parking to be a taxable benefit where they deem the parking spot to have a market value and where an employee does not use their vehicle for Official City business three days a week on average (including statutory holidays and vacation). The employer has an obligation to include the value of the benefit on the employees T4 and withhold and remit appropriate source deductions to the CRA.

There are some exceptions to the taxability of parking:

- If the employee has a disability, the parking benefit is generally not taxable.
- There is no taxable benefit for an employee when both of the following conditions are met:
  - You provide parking to your employee for business purposes.
  - An employee regularly has to use his or her own automobile or one that you usually supply to do his or her duties. Travel between work and home is not considered travel for business purposes.

## Report

A taxable benefit is a payment from an employer to an employee that is considered a positive benefit and can be in the form of cash or other type of payment. One of the requirements for making parking a taxable benefit is the ability to assign a "fair market value." The value is based on the fair market value of the parking space to the employee (the amount the employee would be charged if the employer did not provide free parking).

Prior to 2012, City staff received free parking in a City owned parking facilities. Parking was a benefit and the employer paid for the benefit, the same as paying for health care, insurance and additional benefits. In 2012 the City added the benefit as it did not have an option but to treat employee parking as a taxable benefit.

## Financial Implications

There is no actual cost to the City to provide the taxable parking benefit to staff but there is an opportunity to generate revenue for the City.

The cost of Annual Taxable Benefit to an employee based on parking at Ontario St Garage at a 100% of the time is noted in the table below.

**Table 1**

Annual Taxable Income Range		Taxable Benefit	2017 Marginal Tax Rate	Personal Tax Impact
\$ 0	\$ 42,201	\$1020.00	0.2005	\$204.51
\$ 42,201	\$ 45,916	\$1020.00	0.2415	\$246.33
\$ 45,916	\$ 84,404	\$1020.00	0.2965	\$302.43
\$ 84,404	\$ 91,831	\$1020.00	0.3166	\$322.93
\$ 91,831	\$142,353	\$1020.00	0.3716	\$379.03
\$ 142,353	\$150,000	\$1020.00	0.4016	\$409.63
\$ 150,000	\$202,800	\$1020.00	0.4116	\$419.83

Parking Taxable Benefits (annualized) provided by City total \$181,196.60 as per the following table:

**Table 2**

	Number of Employees	Bi Weekly Rate	Annual Taxable Benefit
Carlisle - Above Ground <b>100%</b>	3	\$39.23	\$ 3,059.94
Carlisle - Above Ground <b>80%</b>	1	\$31.38	\$ 815.88
Carlisle - Above Ground <b>60%</b>	1	\$23.54	\$ 612.04
Carlisle - Below Ground <b>100%</b>	7	\$46.15	\$ 8,399.30
Ontario St - <b>100%</b>	144	\$39.23	\$146,877.11
Ontario St - <b>80%</b>	4	\$31.38	\$ 3,263.52
Ontario St - <b>60%</b>	4	\$23.54	\$ 2,448.16
Ontario St - <b>Weekly 100%</b>	4	\$23.08	\$ 4,800.64
Race St - <b>100%</b>	14	\$30.00	\$ 10,920.00
Total	<u>182</u>		<u>\$181,196.60</u>
<b>Breakdown by Location</b>			
Carlisle	12		
Ontario St	156		
Race St	<u>14</u>		
Total	<u>182</u>		

**Table 3**

Number of Employees using Personal Vehicles for Company use	
60% Benefit (40% reduction for company use)	5
80% Benefit (20% reduction for company use)	5

**Table 4**

Breakdown by Employee Group	
150	4
157	117
EX	61

The Ontario St. and the Carlisle / Garden Park garage are monthly permit facilities. As per the 2017 Rates and Fees bylaw the current monthly parking rate for both garages is stated at \$85.00. The Carlisle / Garden Park garage has a below ground parking area and the charge is \$100.00. The Ontario St. garage has 470 parking spaces with 156 employees utilizing that garage. The Carlisle / Garden Park garage has 595 parking spaces and 12 employees using that garage

The total yearly revenue generation on the open market would be as follows:

**Table 5**

Revenue	# of Employees	Rate	Monthly	Yearly
Carlisle - Above Grade	5	\$85.00	\$ 425.00	\$ 5,100.00
Carlisle - Below Ground	7	\$100.00	\$ 700.00	\$ 8,400.00
Ontario St - <b>100%</b>	156	\$85.00	\$13,260.00	\$159,120.00
Race St - <b>100%</b>	14	\$65.00	\$ 910.00	\$ 10,920.00
Total	182		<u>\$15,295.00</u>	<u>\$183,540.00</u>

The total annual tax impact to the average employee is \$302.43. If an employee was required to purchase a monthly permit at the current rate of \$85.00 per month the yearly increased cost to the employee would be \$717.57. Currently, they pay \$11.63 per pay for the taxable parking benefit.

## Conclusion

All city employees should be treated fairly; those that work downtown versus employees who work in other areas of the City (Lake St., Buchanan House, Kiwanis Aquatic Centre) where the employer provided parking is not a taxable benefit.

If the thought was to no longer provide parking to employees it doesn't necessarily open up additional spots to other employees of the downtown as City employees would still require parking. Making decisions on abolishing the taxable parking benefits may also have an adverse effect on attracting new staff to the City as parking is an attractive benefit when onboarding potential employees.

Staff morale of current employees could also be impacted in a negative way because we would be removing a current benefit and replacing it with additional costs to the employee. Our goal is to promote a culture where your team understand that their wellbeing and morale in the workplace is important to you as a City.

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