
Memorandum

To: Budget Standing Committee (BSC)
Cc: Shelley Chemnitz, Kristine Douglas
From: Lisa Read
Date: September 18, 2017
Subject: Additional Information for Taxable Staff Parking Benefit

At the meeting of August 28, 2017, the Budget Standing Committee (BSC) referred the report regarding Taxable Staff Parking Benefit back to staff for a memorandum looking at what other municipal comparator cities do.

Staff contacted all of the lower tier municipalities in Niagara, as well as the Region and included the municipal comparators that were approved for use when it is necessary to compare the City of St Catharines to similar municipalities. The municipalities were asked the following questions:

Do you provide staff parking? If so,

1. Is it free?
2. Is it a taxable benefit? And does the employee pay this or is it supplemented by the municipality?
3. Do they pay the market value rate?

Of the twenty (20) municipalities that were surveyed sixteen (16) provided parking, thirteen (13) of which were free and three (3) were a taxable benefit. Four (4) municipalities did not provide parking to their employees. All of the Municipalities in Niagara confirmed that parking is free for all their employees and due to their location are able to provide adequate onsite or close proximity parking for their employees. See attached Appendix 1.

You are not required to include a benefit in your employee's income in the following situations:

- A business operates from a shopping centre or industrial park where parking is available free of charge to both employees and other people.

- You provide scramble parking. Scramble parking is still a benefit to the employee, but in the absence of the ability to accurately assign a value to the benefit because of the random or uncertain nature of it, a benefit is not included in income.

Fair market value (FMV) is the highest price that can be obtained in an open market between an informed and willing buyer and an informed and willing seller who are dealing at arm's length. Generally, the FMV of a parking spot is the price that could be reasonably charged for the use of that spot in an open market (i.e., the market price for a similar spot in the surrounding area).

Comparator Municipalities - Employee Parking 2017		
Municipality	Parking Provided	Cost To Employee
Fort Erie	Yes	Free
Grimsby	Yes	Free
Lincoln	Yes	Free
Niagara-on-the-Lake	Yes	Free
Pelham	Yes	Free
Port Colborne	Yes	Free
Thorold	Yes	Free
Wainfleet	Yes	Free
Welland	Yes	Free
West Lincoln	Yes	Free
Barrie	No	\$0.00 - Scramble parking
Guelph		No Reponse
Kingston	No	Responsible for your own - Market value
Thunder Bay	No	Responsible for your own - Market value
Windsor	Yes	Free - Taxable Benefit*
Cambridge	Yes	Free
Niagara Falls	Yes	Free
Kitchener	No	Responsible for your own - Market value **
Oshawa	Yes	Free
Waterloo	Yes	Free- Taxable Benefit***
Niagara Region	Yes	Free- Taxable Benefit
*\$28.25 + tax (tax calculated on market value)		
**offers a payroll deduction when purchasing City lots		
***Taxed on market value		

This report was referred back to staff for more information at the August 28, 2017 BSC meeting.

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 100%	3	\$39.23	\$ 3,059.94
Carlisle - Above Ground 80%	1	\$31.38	\$ 815.88
Carlisle - Above Ground 60%	1	\$23.54	\$ 612.04
Carlisle - Below Ground 100%	7	\$46.15	\$ 8,399.30
Ontario St - 100%	144	\$39.23	\$146,877.11
Ontario St - 80%	4	\$31.38	\$ 3,263.52
Ontario St - 60%	4	\$23.54	\$ 2,448.16
Ontario St - Weekly 100%	4	\$23.08	\$ 4,800.64
Race St - 100%	14	\$30.00	\$ 10,920.00
Total	<u>182</u>		<u>\$181,196.60</u>
Breakdown by Location			
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 - 100%	156	\$85.00	\$13,260.00	\$159,120.00
Race St - 100%	14	\$65.00	\$ 910.00	\$ 10,920.00
Total	182		\$15,295.00	\$183,540.00

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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