



Exhibition Place

Item No. 12

April 8, 2015

To: The Board of Governors of Exhibition Place

ACTION REQUIRED

From: Dianne Young
Chief Executive Officer

Subject: **Taxable Parking Benefit for Exhibition Place Employees**

Summary:

This report recommends the implementation of recording taxable parking benefit at Fair Market Value for affected Exhibition Place employees commencing August 1, 2015 who have been provided with parking access to park at Exhibition Place in accordance with the Income Tax Act and Canada Revenue Agency (CRA) guidelines, and recommendations from the City Treasurer.

Recommendations:

It is recommended that the Board approve the:

- 1) Implementation effective August 1, 2015 of the recording of taxable parking benefits to affected Exhibition Place employees;**
- 2) Inclusion of the parking taxable benefits within employee T4 Slips at Fair Market Value for employees who accept parking privileges at Exhibition Place and who are not eligible for tax exemptions; and**
- 3) Adoption of the Taxable Parking Benefit Policy attached to this report.**

Financial Impact:

The implementation of this parking policy will have a financial impact on Exhibition Place employees and the Board. Assessed taxable parking benefit is considered part of the employee "Contributory Earnings" under the OMERS Act and this will increase the employee pensionable earnings and will require both OMERS and CPP contributions by the employee to increase with a matching required contribution amount by the employer. Accordingly, for the Board this additional cost will be approximately \$42,500 annually.

Decision History:

The Exhibition Place 2014 – 2016 Strategic Plan had a Financial goal to *effectively monitor costs and revenues* and as a strategy to support this goal *we will review and revise financial and organizational systems to strengthen controls and processes*.

At its meeting of May 11, 2010 (Report CC49.2), the City approved of recording taxable parking benefit at Fair Market Value for City employees receiving parking passes at any City facility, and further requested that this information be provided to all City Agencies, Boards and Commissions.

Issue Background:

In March 2011, the City Treasurer distributed a memorandum to all Agencies, Boards and Commissions, as directed by City Council, to raise awareness of the CRA Compliance Audit at the City of Toronto to ensure compliance with CRA requirements for taxable benefits.

Comments:

Employer provided parking is generally a taxable benefit and must be included in taxable income. Exhibition Place currently has 398 employees (full-time equivalents) of which 252 (132 union and 120 non-union) have been provided with the benefit/availability of parking on the grounds. Generally, there are no designated parking areas for employees similar to City Hall and Metro Hall. However, because of the number of spaces available throughout the Exhibition Place grounds, parking spaces are always available and employee parking on the grounds cannot be considered "scramble parking". The CRA defines scramble parking as a situation where there are fewer spaces than employees who require parking and spaces are available on a first-come first-served basis. In the case of Exhibition Place, on any given day, the employee parking spot is not random or uncertain and an employee is able or very likely to find parking.

Exhibition Place staff had undertaken a review by a third party consultant of the parking benefit issue several years ago and at that time determined that it was not a taxable benefit pursuant to the CRA rules. However, with the direction taken by the City of Toronto and the CRA ruling to the City, Exhibition Place have again reviewed the CRA documentation and also relied on City staff in the Pension, Payroll & Employee Benefits Division and conclude that parking access should be treated as a taxable benefit for Exhibition Place employees due to the fact that based on their office or position these individuals in effect have a reserved spot.

In order to determine the taxable amount of the parking benefit, CRA's position is the employer should determine what the Fair Market Value is based on available monthly parking for its own monthly parkers, construction workers, market rate in lots around or near areas surrounding Exhibition Place. CRA usually takes the highest rate in determining parking values. Staff has surveyed rates on the north end of the grounds in Liberty Village, Exhibition Place currently charges \$50 per month for monthly parking to third parties using the west end of the grounds which rate will be reviewed over the next few months in consultation with Toronto Parking Authority. Based on the survey conducted, staff is proposing that the annual value of the taxable benefit be \$90 monthly and on an annual basis \$1,080.

If parking access is provided as an accommodation related to a medical disability which required the employee to use their vehicle during all or part of the year, then they are exempt from the assessment and there is no taxable benefit. The employee will be required to complete an employee questionnaire and provide supporting information and documentation to the employer to receive this exemption.

Because this new policy may have an impact on employee earnings, it will be implemented as follows:

- Three months' notice will be provided to employees and during that period employees may determine to opt out of parking privileges;
- At the end of the notice period, the taxable parking benefit of \$90 (\$1,080 annual) will be allocated to any employee who has not opted out of parking privileges program as noted on the employee's week or bi-weekly pay stub; and
- Any employee who opts out of the parking privileges program must, on a daily basis, purchase parking at meters within the parking lots.

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Taxable Parking Benefit for Exhibition Place Employees Policy

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Policy Statement

The purpose of this policy is to outline the procedures and processes to implement the inclusion of Taxable Parking Benefit at Fair Market Value for eligible employees at Exhibition Place who accept the offer by Exhibition Place for parking privileges on the grounds.

This policy reflects the requirements of assessing Taxable Parking Benefits in accordance with Canada Revenue Agency ("CRA") guidelines and the *Income Tax Act*.

Scope

This policy applies to all eligible employees, union and non-union, who accept the offer by Exhibition Place to park on the grounds as evidenced by the usage of an Exhibition Place Parking Sticker and who are not specifically exempt under the *Income Tax Act*.

Policy

- 1) When an employee, union or non-union, accepts the offer from Exhibition Place to park on the grounds, this acceptance, evidenced by and commencing on the date the Parking Pass is given to the employee for use shall constitute the assessment of Taxable Parking Benefit. The benefit is added at Fair Market Value to the employee's taxable income on the T4 Slip for the start period to year end.
- 2) Fair Market Value as determined by CRA is the comparable benefit charged by an independent entity for the same service within close proximity. For Exhibition Place, immediate north of Liberty Village is the closest location that offers monthly parking at \$90 per month or \$1,080 per year. The market rates will be adjusted annually to reflect current market conditions.
- 3) If, at any time, the employee no longer wishes to accept the offer by Exhibition Place to parking access on the grounds as a benefit-in-kind, the employee will communicate their withdrawal in writing to the Parking Department (copy to the Payroll Department) and at the same time surrender the Parking Pass to the Parking Department. The Parking Department will inform the Payroll Department when the Parking Pass is surrendered so that the appropriate payroll adjustment can be made.
- 4) Any employee who is not included as an eligible employee for assessed Taxable Parking Benefit may still pay to park on the grounds using the "pay-and-display" units.
- 5) If there are significant/special events occurring on the grounds, such as the Pan Am games where the available parking areas become restricted and there is no ability for employees to park on the grounds. Then in this situation of special "black out" days, if it is required to be implemented, there would be no Taxable Parking Benefit assessed based on the number of days that parking entitlement becomes unavailable.
- 6) Assessed Taxable Parking Benefit is considered part of the employee "Contributory Earnings" under the *OMERS Act* and this will increase the employee pensionable earnings and will require both OMERS and CPP contributions by the employee with a matching required contribution amount by the employer.

- 7) An employee with a disability is generally exempt from the taxable parking benefit. A disability would include being legally blind or having a severe and prolonged mobility, mental or physical impairment.