

St. Thomas – Elgin Social Housing

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Bulletin: #03-02

Subject: Security Tenants

Date: February 5, 2003

✓ Public Housing

✓ Rent Supplement

□ Co-ordinated Access

✓ Federal sec. 26 & 27

✓ Provincial Reformed

✓ Municipal Non-Profit

✓ Federal section 95

Definition – Security Tenants

Many social housing projects, particularly public housing projects, provide rent-free accommodation to employees or “security tenants” in that housing project in exchange for security services.

These services, which are outlined in detail in employee job descriptions, include such duties as responding to maintenance and emergency issues, performing routine fire code checks, serving as the main front-door contact, and, in general, providing on-site representation on behalf of the housing provider or property manager.

Taxable Benefit

Under the Income Tax Act, if you provide an employee with a house, apartment, or similar accommodation rent-free or for less than the fair market value of such accommodation, the employee is considered to be receiving a taxable benefit.

Amounts that you pay for your employees for utilities (such as phone, hydro, and natural gas) are also taxable benefits.

How to calculate the taxable benefit – RGI security tenants

For security tenants who also meet the eligibility requirements for RGI assistance, you must first calculate the RGI rent for that tenant in the usual way in accordance with the SHRA, Reg. 298/01 Part VII or in accordance with your federal Operating Agreement.

The security tenant’s income must be reviewed annually and the RGI rent and taxable benefit must be re-calculated as necessary.

If you do not perform income-testing on your security tenant, you must use market rent as the basis for the taxable housing benefit.

Due to the loss of privacy and quiet enjoyment of the rent-free security tenant's accommodation, the Income Tax Act permits a reasonable reduction in the value of the housing benefit. In the past, the Ontario Housing Corporation has reduced the rent by one-half to reflect the employee's lessened enjoyment of the unit.

How to calculate the taxable benefit – “Market” security tenants

For security tenants where no income testing occurs or where the maximum or market rent has been reached, the taxable benefit is one-half of the regular market or maximum rent for the rent-free unit the security tenant occupies.

In these situations, if the security tenant must occupy a designated unit which is larger than he or she needs (i.e. a single person in a three-bedroom unit), the market value of the accommodation will be equal to the value of accommodation that is appropriate for your security tenant's needs.

Payroll deductions required

Canada Pension Plan and Income Tax deductions

The taxable housing benefit is pensionable. Deduct Canada Pension Plan contributions (if applicable, depending on the age of the tenant) and deduct income tax in accordance with the employee's TD1 form.

Employment Insurance deductions

If the housing benefit is a non-cash benefit, it may be insurable if it is received by the employee in addition to cash earnings in a pay period – in that case, deduct EI premiums. If no cash earnings are paid during the pay period, it is not insurable – do not deduct EI premiums.

Call CCRA

If in doubt about the correct payroll deductions for your security tenant, contact Canada Customs and Revenue Agency (CCRA), Source Deductions, for more information.

Reporting benefits on the T4 slip

Report the taxable benefit under code 30 and in box 14 on the employee's T4 slip.

Other considerations

The total taxable housing benefit is subject to other mandatory employer related costs such as Workplace Safety and Insurance Board (WSIB) premiums and vacation pay (utilities benefits should not be included in the earnings subject to vacation pay).

Record Revenue and Related Expense

The amount of the taxable housing benefit should be recorded on the Financial Statements as both rent revenue or utilities charges (credits) and as payroll expense (a debit), as if the rent and utility charges had actually been collected from the security tenant and then paid back in wages.

An example of a typical taxable housing benefit calculation – RGI Tenant

(Based on a single RGI security tenant, aged 65, occupying a one-bedroom unit, on a fixed government pension income with no other sources of income and no assets, using pension income levels in effect from Oct. 1 – Dec. 31, 2002.)

Basic Old Age Pension (OAS)	\$ 449.32
Federal Supplement (GIS)	533.99
GAINS A	83.00

Total monthly income	\$ 1,066.31
RGI rent @ 30%	\$ 319.89
One-half of RGI rent	\$ 159.95

Taxable rent benefit	\$ 159.94
Electricity Charge	\$ 24.00

Total taxable benefit	\$ 183.94

NOTE: This is an example of how the taxable benefit should be calculated for an RGI security tenant. Each rent-geared-to-income security tenant's taxable housing benefit should be calculated on the basis of that individual's or household's RGI rent.

An example of a typical taxable housing benefit calculation – Market Tenant

Total monthly gross income (if provided)	\$ 2,000.00
Test for RGI @ 30%	\$ 600.00
Base Market (maximum) rent	\$ 500.00
Use lower of RGI and Market	\$ 500.00
One-half of market rent	\$ 250.00
Taxable rent benefit	\$ 250.00
Add utilities or other charges paid by the Housing Provider and not included in the market rent charge	\$ _____
Equals total taxable benefit	\$ =====

