

Evaluation Criteria and Foundations, Principles

Tax Reform Committee

July 12, 2007

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Overview

- Timeline
- Integrating Foundations, Principles and Evaluation Criteria
 - Foundations and Values
 - Principles
 - Action Statements





Timeline

TRC Decision Milestones

- 1 **Decision on Foundations** 26-Jul-07
- 2 **Decision on Evaluation Criteria and Weighting** 13-Aug-07
- 3 **Development of Tax Packages**
 - a Identify Options (Level 1)
Review "Core Services"
 - b Narrow Options Down (Level 2)
 - c Full Evaluation (Level 3) October 2007
- 4 **Update Council**
Council&TRC Workshop October 2007
- 5 **Revised Tax Packages to EMT, COW** November 2007
- 6 **Public Consultations** February 2008
- 7 **HRM Budget and Tax Rates for 2008-2009** April 2008



Evaluation Criteria Options for Illustration Only

Tax Package Evaluation
Quality Analysis Matrix

	Package Component #1	Package Component #2	Package Component #3	Package Component #4	Package Component #5	Package Component #6	Package Component #7	Package Component #8	Client Importance Rating (1 to 5)
Resident/Business Need*									
Principles									
Transparency	⊙			▲				⊙	5
Broad Base						▼			4
Simplicity			▲			▼		⊙	3
Foundations									
Link to Service Levels		⊙		▲			⊙	▼	5
Reflect Ability to Pay	▲		⊙	▼		⊙			4
Sharing of Core Services	⊙	▲		▼				▲	2

Qualitative

Quantitative

Objective Weighting Chart

Project Objective	Objective Weighting	How well does Option meet Objective?		Weighted Score
		Description	Score	
Principles				
Transparency	15	Narrative...jldkfjdlf kjdsflk sadflk ldfjds fsdf sdfkj sdfi sldfnsd fposdfn lfknsd slsdf sdnfsls.	1	1.5
Broad Base	10	Narrative...jldkfjdlf kjdsflk sadflk ldfjds fsdf sdfkj sdfi sldfnsd fposdfn lfknsd slsdf sdnfsls.	5	5.0
Simplicity		Narrative...jldkfjdlf kjdsflk sadflk ldfjds fsdf sdfkj sdfi sldfnsd fposdfn lfknsd slsdf sdnfsls.	2	2.0
Foundations				
Link to Service Levels	15	Narrative...jldkfjdlf kjdsflk sadflk ldfjds fsdf sdfkj sdfi sldfnsd fposdfn lfknsd slsdf sdnfsls.	7	10.5

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Mission Statement (Foundations)

- What is a Service Tax?
- What does Ability to Pay mean?

Values

Principles

- Action Statements

Responsibilities

Evaluation Criteria

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Mission Statement

"Foundations of the Tax System"

H RM endeavours to provide an equitable, transparent and sustainable municipal tax and fee system for all taxpayers and citizens by

Levying taxes and fees based on the services provided to individuals, companies and others, and

Adjusting that tax and fee levy to reflect ability to pay.

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Values

As a central and key element of municipal government, H R M strives to ensure that the tax and fee system

Encourages the economic well-being of all its taxpayers and citizens,

Recognizes that the funds raised through taxes and fees belong to the citizens of H R M and are held in trust,

Encourages fiscal prudence and an acceptable level of tax and fee burden and services.

Recognizes that municipal services may benefit everyone and that to the extent all benefit, all should share in the cost of the service.

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Principles

To achieve and sustain the Mission Statement and Values, HRM will apply the following principles to the Municipal Tax System

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E conomic C ompetitiveness

T he M unicipal T ax S ystem shall be designed to maximize the economic potential of the Region and Province.

A ctions:

T o encourage investment and consumption within Halifax Regional Municipality and within Nova Scotia.

T o encourage responsible home ownership.

T o allow for environmental sustainability.

T o support the Region's long-term economic strategy and vision including international competitiveness.

T o ensure that residential, commercial and other taxpayers pay an appropriate share of the tax burden, relative to the services they consume.



Economic Efficiency ("Neutrality")

The Municipal Tax System shall be designed to encourage healthy decisions by citizens and taxpayers.

Actions:

To discourage irresponsible or uneconomic behaviour

To encourage responsible or economic behaviour

To focus on a broad tax base and a neutral tax rate as possible.

To encourage efficient growth patterns and to support the Regional Plan.

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Equity

Similarly situated taxpayers should be taxed similarly.

Actions:

The tax and fee system should apply consistently to all taxpayers and citizens.

Taxes and fees owed should be objective and factual and not subject to opinion or estimation.

The Tax Bill for individuals should be calculated in a manner that is reliable and verifiable.

The design and administration of the Tax and Fee system should not disadvantage any group of individuals, firms or local communities.

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Respect for other G overnments

Recognize the links to the F ederal and Provincial G overnments and other M unicipalities

A ctions:

N ot introduce taxes that interfere with the fiscal capacity of other governments.

T he H R M T ax S ystem should function well along-side the tax systems of other N ova S cotian municipalities.

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Stability

The Tax and Fee System should emphasize stability and predictability for individual taxpayers and for the municipal government.

Actions:

Taxes and fees should reflect changes in services and changes in an individual's ability to pay.

Individuals should be able to reasonably predict future taxes, based upon their understanding of their circumstances and the services available.

The Tax and Fee system should be designed to discourage unintended sudden and dramatic changes in municipal revenues.

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S implicity

The Tax and Fee system should be as simple as possible to minimize compliance, enforcement and collection costs.

Actions:

Additional tax rates, boundaries, incentives and other system features shall not be used unless they make a clear and dramatic improvement in equity or transparency for a large number of citizens.

Changes to the tax and fee system that limit the transparency of the system shall be discouraged.

The number of methods of taxation or fees to pay for any service shall be minimized.

Minimize the administrative costs of the municipal tax system.

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Transparency

It should be clear what taxes and fees exist and how and when they are imposed and what they are for.

Actions:

Municipal expenditures should be set to reflect changes in households, inflation and services and balanced against the tax burden.

The tax burden needs to be intuitive and should be clearly and easily understood.

The tax burden needs to be reviewed and set on an annual basis.

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T axes and S ervices

H RM recognizes there are four types of taxes and fees that it may impose

U ser F ees

U ser F ees may be fully or partly used when an individual has a choice whether to consumer more or less of a service and the service can be denied that individual without affecting other citizens.

- the use of the service can be directly attributed to a specific individual.
- the benefit accrues chiefly to the user of the service
- there are no unintended or negative social or fiscal
- a user fee provides for better management of the Region's resources

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T axes

T axes are levied for a service when a broad range of taxpayers may be able to access, benefit from, or cause the municipality to introduce a service. There are three types of taxes.

Individual Tax: Where a group of individuals in like circumstances benefit from or contribute to the need for a municipal service that is not a "Core Service", that group shall pay a tax in some equivalent manner even though they may not all benefit equally.

Local Tax: Where a local community benefits from or contributes to the need for a municipal service that is not a "Core Service", that community shall pay a community tax for the service.

Regional Tax: Where a "Core Service" exists, all shall pay a tax for the service.

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Types of Taxes and Fees: Example for Road Network

		Fee		Tax	
		Individual	Individual	Local	Regional
Road Network	Toll road fees.		by frontage, by registered vehicle, by registered driver, Sales tax on tire or vehicle, fuel tax.	Tax on local area using a broad measure unrelated to use (eg, dwelling units, accounts, acres, land, buildings, property value).	Tax on region using a broad measure unrelated to use (eg, dwelling units, accounts, acres, land, buildings, property value).
How to Calculate Tax	Road Costs/Trips on road Transponders	Road Costs/Frontage Road Costs/Dwellings on road Road Costs/Dwellings on HRM road Road Costs/HRM Vehicles Road Costs/HRM Vehicles by Type of Vehicle Road Costs/Sales Value of Vehicles Road Costs/Sales Value of Tires Road Costs/Sales Value of Fuel Road Costs/Litres of Fuel Road Costs/HRM drivers Road Costs/Type of HRM Driver	Road Costs/Property Value Road Costs/Dwelling Units Road Costs/Adjusted Dwelling Road Costs/Acres Road Costs/Land Road Costs/Buildings Road Costs/Accounts	Road Costs/Property Value Road Costs/Dwelling Units Road Costs/Adjusted Dwelling Road Costs/Acres Road Costs/Land Road Costs/Buildings Road Costs/Accounts	
				<u>Requires Boundary Options:</u> Distance from Road Type of Road Natural Boundary Community	

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T axes and A bility to Pay

H RM recognizes that individuals may face circumstances beyond their control and that the tax levy for individuals should be capped according to their ability to pay.

T herefore:

T axes should cause no individual to lose their home due to circumstances beyond their control.

T he tax burden for individuals with lower or modest income should reflect their ability to share in the cost of municipal services.

A ll Individuals should pay some taxes towards the cost of services.

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Responsibilities of Citizens and Government

Responsibilities of the Citizen and Taxpayer

To report all circumstances that could affect taxes.

To respect that lower taxes for themselves means higher taxes for others.

To respect that requests for additional services may mean higher taxes for some.

Responsibilities of HRM

To ensure that all taxpayers understand their rights and the circumstances of their tax liability.

To collect taxes from all taxpayers according to Provincial and Municipal law.

To review all potential changes in the municipal tax system against this mission statement, principles and values.

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