

# Overview of HRM Tax System

Staff Presentation to Tax Reform Committee,  
February 8, 2007



# Overview

- History of Tax System in HRM
- Broad Fiscal Picture
- Types of Taxes – What’s in Scope
  - Residential, Commercial, Business Occupancy
  - Deed Transfer Tax
  - User Fees
- Foundations of Current System
  - Services, Cost, Ability to Pay
  - Challenges and Risks in Tax Reform
    - Sidewalks, Transit, Costing



# History of Tax System in HRM

- 1996 Amalgamation
  - Market Based System
- 1997 - Merger of former tax systems
  - Urban, Suburban, Rural general rates
- 1997 – Annual reassessments introduced
  - was every three years.
- 2002 – Reform of HRM Tax Structure
  - Fire, Streetlights, Crosswalk Guards
- 2005 – Assessment Cap at 10%
- 2005 – Tax Reform Proposed
  - Regional Plan
- 2008 – Assessment Cap at CPI



# Who Pays for What?

- **After a lengthy public debate ending in July 1997 HRM created three General Tax Rates:**
  - **Urban**
  - **Suburban**
  - **Rural**
- **Certain key services are included in all three of these tax rates.**
- **Some services are paid by Area Rate.**



# Who is Urban, Suburban, Rural?

- **Urban Boundary is Paving Boundary**
  - **Includes Halifax, Dartmouth, Most of Bedford, Forest Hills, Colby Village, Sackville**
- **Suburban areas**
  - **includes Waverley, Fall River, Hammonds Plains, Cow Bay, Upper Sackville, Kinsac, Montague**
- **Rural areas**
  - **includes all of Districts 1 and 23 and parts of surrounding areas.**



# Who Pays How Much More?

New Tax Structure Rates in 2007 and Average 1996 Residential Assessment

	<b>Old Tax Bill</b>	<b>New Tax Bill</b>	<b>\$ Change</b>	<b>% Change</b>
Halifax	<b>3,105</b>	<b>3,133</b>	<b>28</b>	<b>0.9%</b>
Dartmouth	<b>1,469</b>	<b>1,386</b>	<b>-83</b>	<b>-5.6%</b>
Bedford	<b>1,694</b>	<b>1,688</b>	<b>6</b>	<b>-0.4%</b>
Sackville	<b>1,272</b>	<b>1,100</b>	<b>-173</b>	<b>-13.6%</b>
Kingswood	<b>1,479</b>	<b>1,693</b>	<b>214</b>	<b>14.5%</b>
Ecum Secum	<b>298</b>	<b>323</b>	<b>25</b>	<b>8.4%</b>



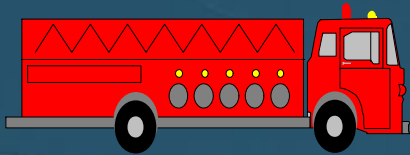
# Tax Structure Reform -2002

## Principles

- Everyone Pays for Services Received
- Everyone Shares in Paying for Services one has Access to
- Everyone Pays for Basic Universal Services
- Commercial Tax Base belongs for the Benefit of all HRM

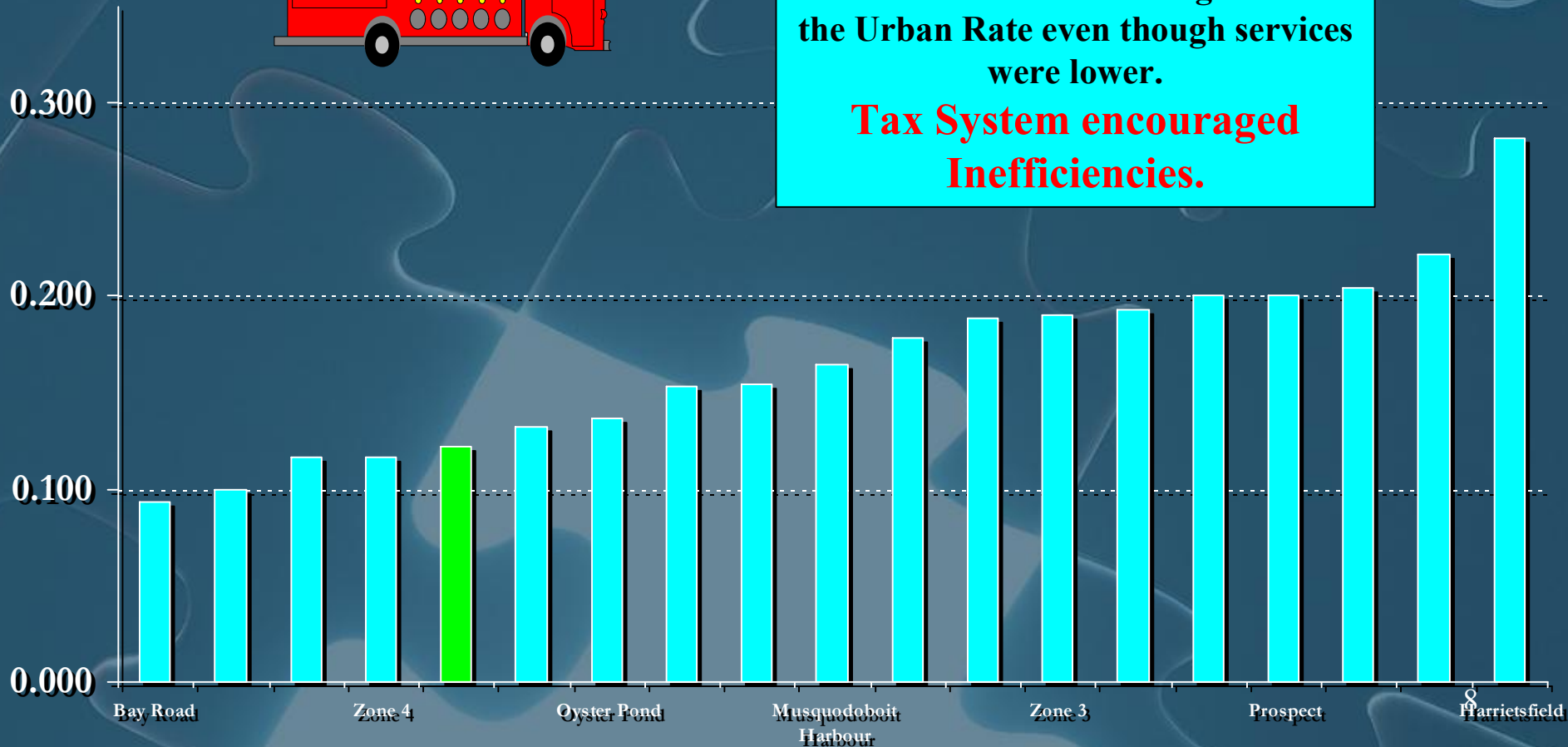
# Tax Rates for Fire Service

## Cents per \$100 - 2002



Rural Area Rates were higher than the Urban Rate even though services were lower.

**Tax System encouraged Inefficiencies.**

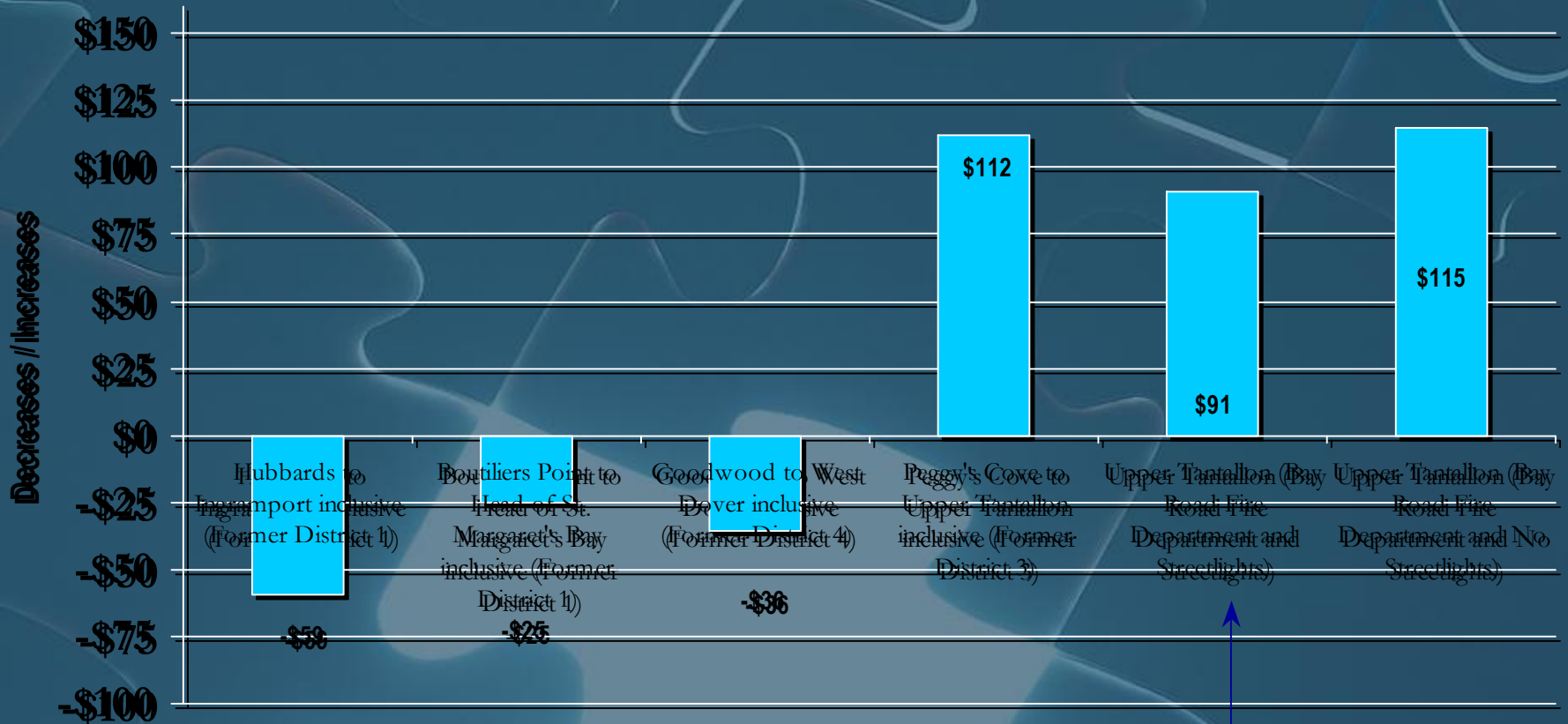




# Change in Property Taxes

## District 23

Total Change in Tax Dollars -2002



Some Homes are within 1 km of Transit and have not paid for it. They may have to pay!

Note: Some averages have been consolidated.

# Approved Tax Structure Model

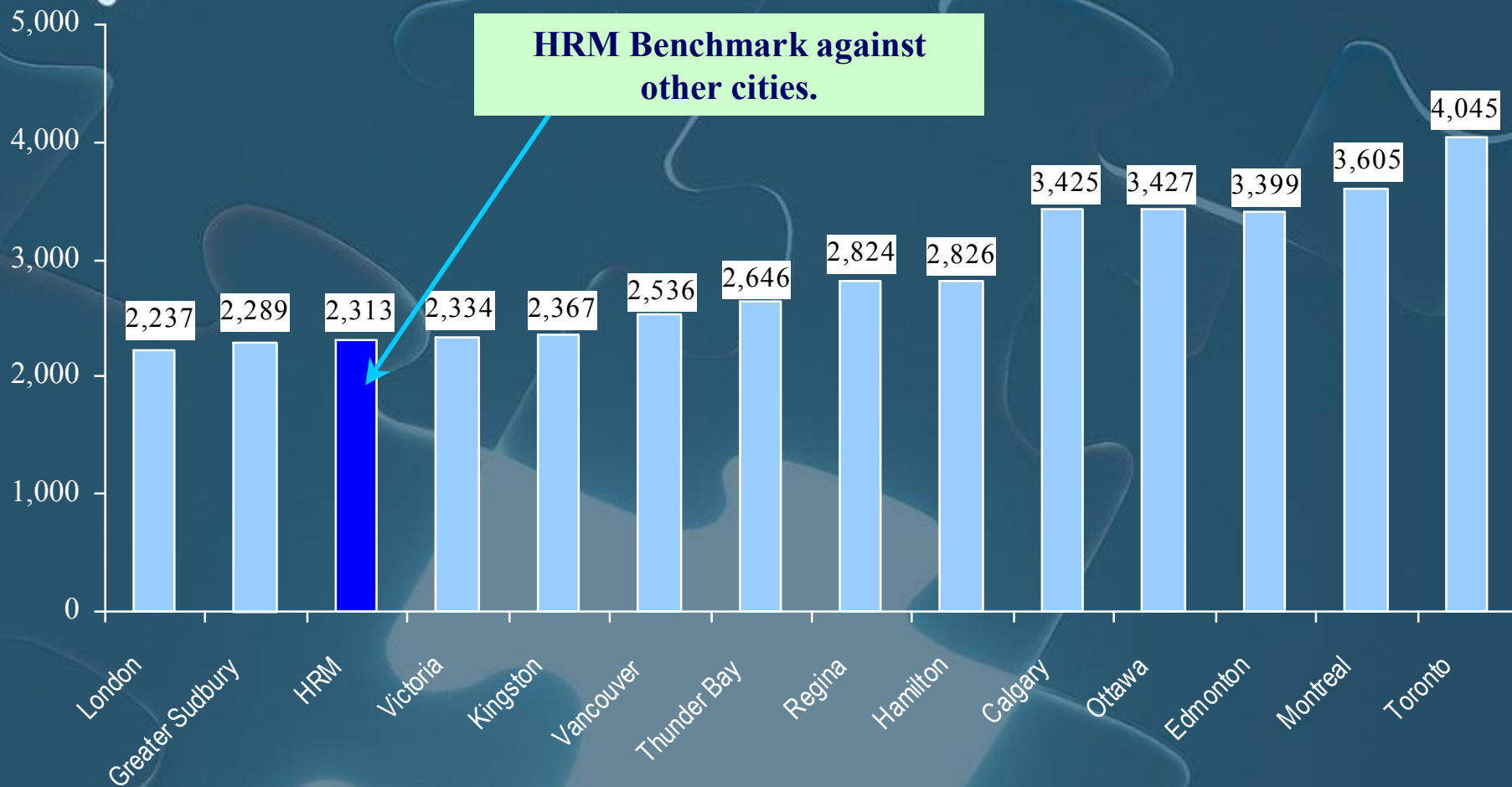
(Effective January 1st, 2003)

Service	Rural (Base) General Tax Rate	Suburban General Tax Rate	Urban General Tax Rate
Policing, Solid Waste, Recreation Programs, Planning, Libraries, Sports fields, Playgrounds, Administration	Included in the Base General Tax Rate		
Fire Suppression			
Street lighting			
Recreational and Community Facilities (Capital Costs - Cost Sharing)			
Recreational and Community Facilities (Operating Costs)	Area Rate	Included in the Urban and Suburban General Tax Rates	
Crosswalk Guards	Area Rate		
Transit	Area Rate	Area Rate	Included in the Urban General Tax Rate
Sidewalks	Area Rate	Area Rate	
Fire Hydrants	Area Rate	Area Rate	Area Rate
Water and Sewer		Pollution Control Charge	

# Comparing Operating Expenditures

(Excludes education, water, health, social services and housing)

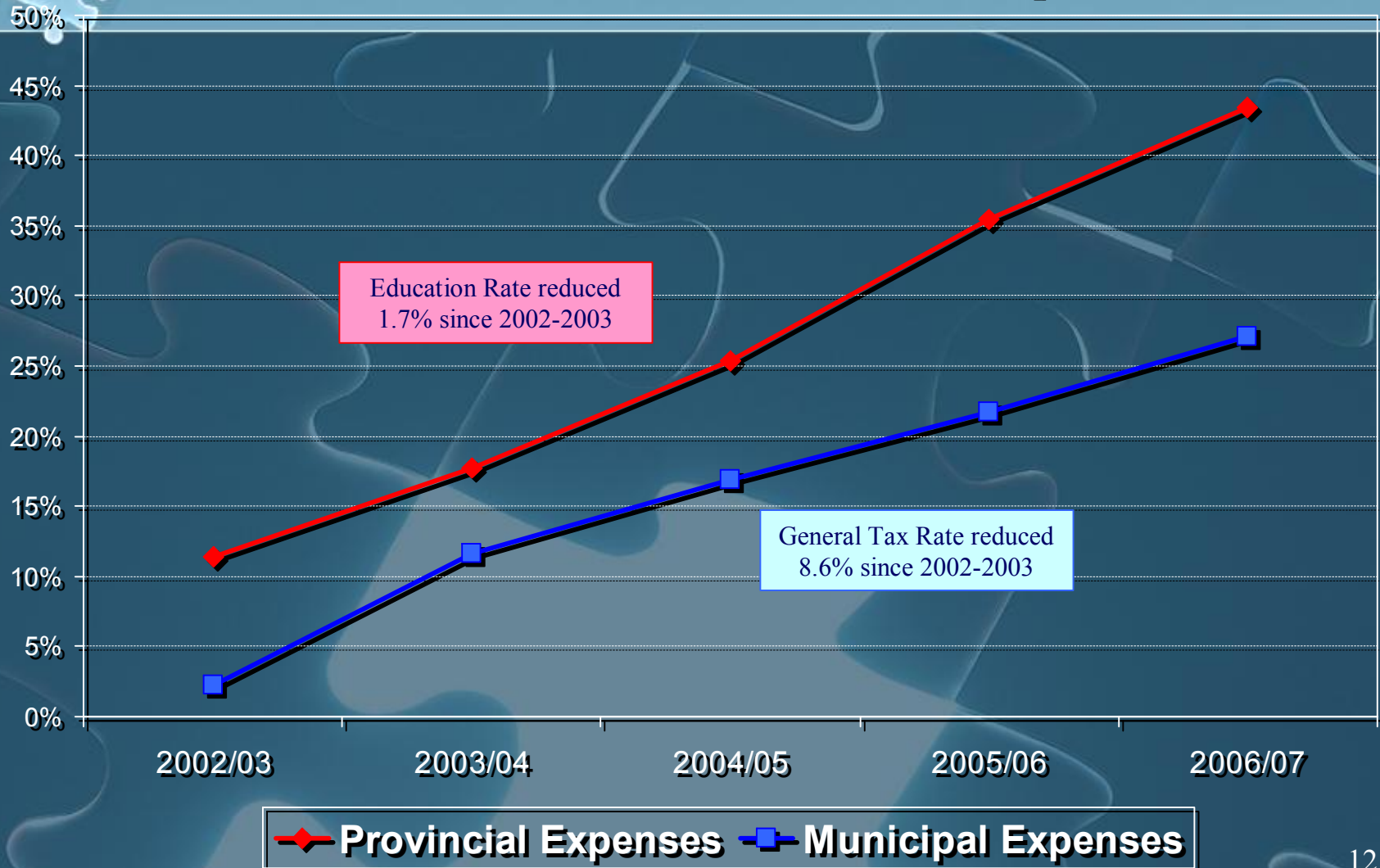
## per Dwelling Unit (2003)



Note: For comparability excludes education, water, health, social services and housing costs in all jurisdictions.

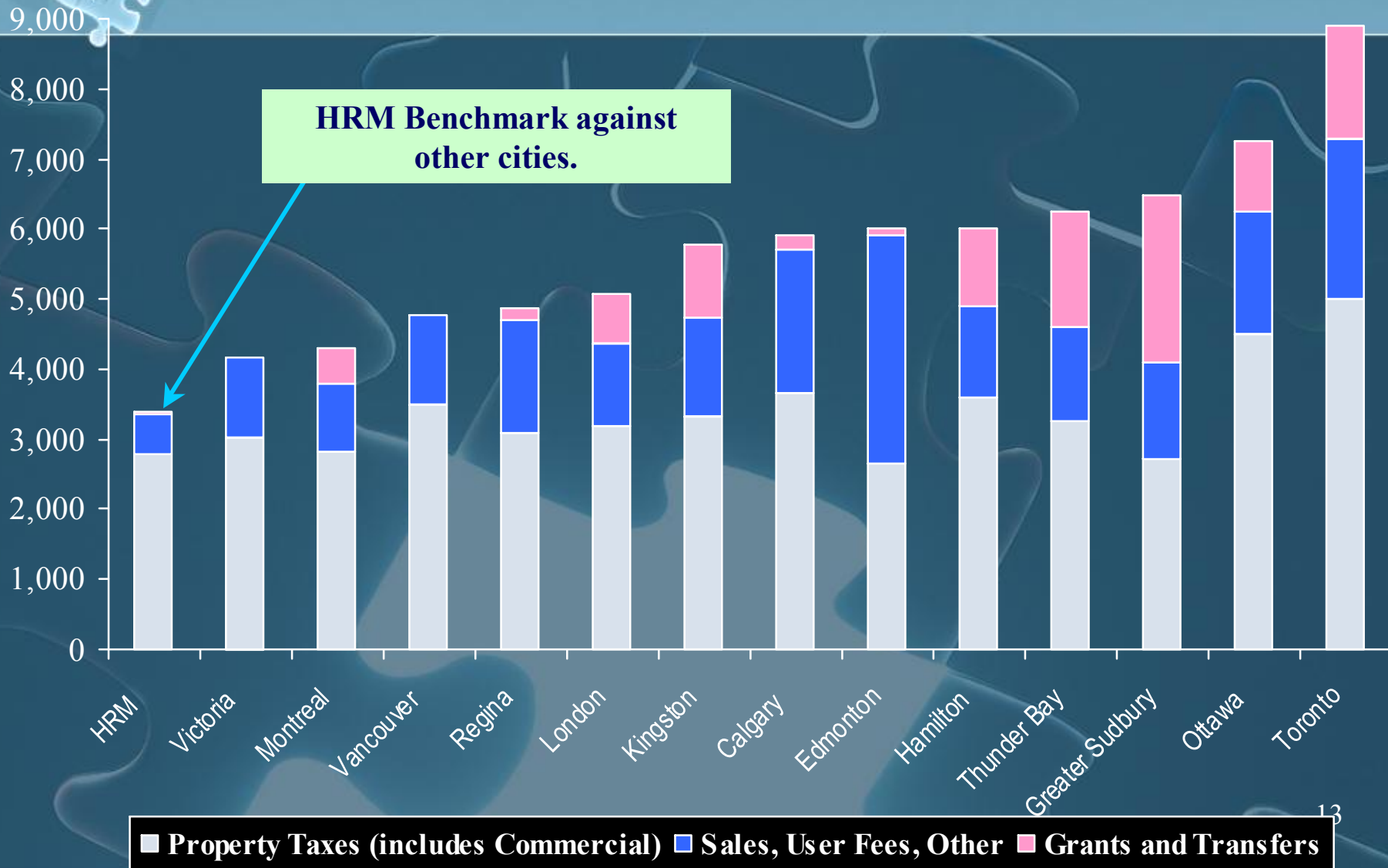
# Trend in Expenditures

## Mandatory Provincial versus Municipal

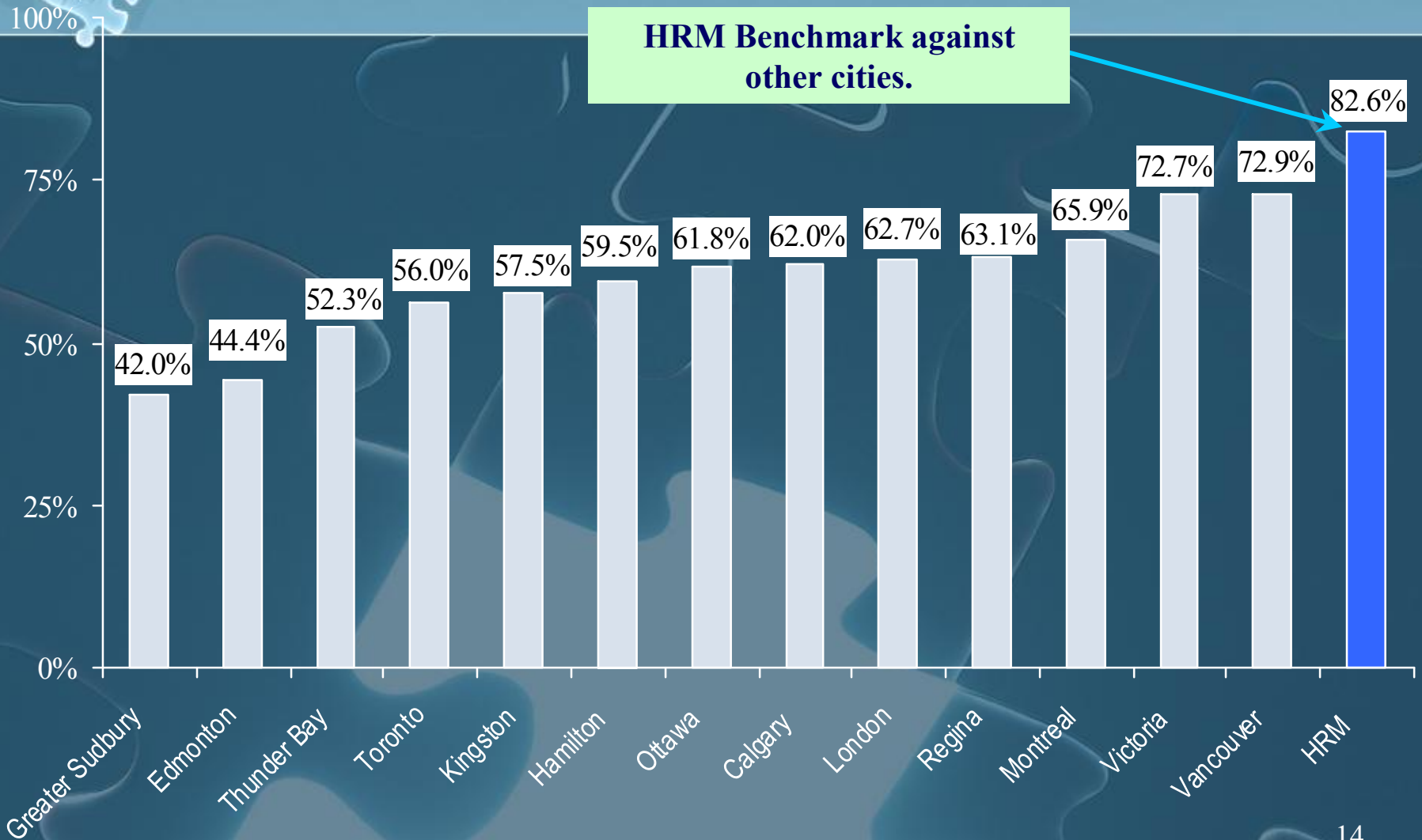


# Comparing Operating Revenues

(All Revenues including Education Taxes)  
per Dwelling Unit (2003)



# Dependence on Property Tax - 2003





# Taxes – What's in Scope

	2006-2007	Description	Scope
<b>Non-Departmental Taxes</b>			
>>> Residential Property Tax	240,327,000	Assessment Based	Yes
>>> Resource Property Tax	1,747,900	Assessment Based	Yes
Sub-Total	242,074,900		
>>> Commercial Property Tax	131,417,000	Assessment Based	Yes
>>> Business Occupancy Tax	38,624,900	Assessment Based	Yes
Sub-Total	170,041,900		
General Tax Rates	412,116,800		
>>> Fire Protection Tax	8,958,400	Assessment Based	Yes
>>> Other Property Taxes	-193,900	Forest, Farm Taxes	Yes
>>> Grants-in-Lieu/Tax Agreements	30,848,200	Mostly Assessment Based Maximum 1.5% on sales	Yes
>>> Deed Transfer Tax	31,000,000	(no deductions)	Yes
Transfer from other Governments	3,582,292	HST	
Interest Revenues	10,589,100		
Parking Meters	2,000,000		
HRWC Dividend	3,444,900	Used for Sewer system	
Other Non-Departmental	30,000		
<b>Total</b>	<b>502,375,792</b>		



# Taxes – What's in Scope

## Departmental Fees and Revenues

Pollution Control Charge	19,302,112	Used for Sewer system
Transit Fares	27,796,400	Part Cost recovery
<b>&gt;&gt;&gt; Supplementary Education</b>	<b>21,265,500</b>	<b>Assessment Based</b>
Tipping Fees for Solid Waste	11,559,700	from Commercial Sector
Rentals and Leasing	6,333,741	
Library Grant	3,709,900	from Province
Resource Recovery Board	3,636,200	from Province re Diversion
Recreation Revenues	3,385,625	
<b>&gt;&gt;&gt; Area Rate Revenues</b>	<b>5,250,998</b>	<b>Assessment Based</b>
Building Permits and Inspections	3,460,000	
<b>&gt;&gt;&gt; Local Improvement Charges (LIC)</b>	<b>1,840,025</b>	<b>Assessment and Frontage</b>
False Alarm by-Law	527,739	
Other	20,484,305	Secondments, Reserves, Licenses, Fines, Fees, Other

**Total**

**128,552,245**

**Yes**

**Yes**

**Yes**





# Taxes – What's in Scope

- Focus should be on new/altered revenues to relieve pressure on assessment.
  - Assessment Based system
  - User Fees and Other Revenues
- Focus is on:
  - Method used to calculate revenues,
  - Impact of revenues on behavior or economy (if any)
    - Eg, Transit fares, false alarms
    - Eg, Deed transfer tax, business occupancy tax
  - Not how funds are spent/not spent.
    - Eg, Supplementary Education funding.
    - Eg, Will user fees help manage funds better?



# Distribution of Tax Bills

Tax by Type of Property - 2006

## Distribution of Residential Taxpayers by Size of Tax Bill and Type of Property

	Single Unit (Excluding Condos)	Condos	Two to Three Units	Apartments	Land
<b>Distribution</b>					
Under \$1,000	16,652	1,863	348	26	11,887
\$1,000 to \$2,000	50,239	4,284	3,353	257	526
\$2,000 to \$3,000	20,157	1,455	2,138	373	104
\$3,000 to \$6,000	8,310	562	1,153	549	93
Over \$6,000	909	33	85	818	74
<b>Total</b>	<b>96,267</b>	<b>8,197</b>	<b>7,078</b>	<b>2,023</b>	<b>12,758</b>
Average Tax per Dwelling Unit	\$1,804	\$1,640	\$1,057	\$576	na
Average Tax per Property	\$1,804	\$1,640	\$2,256	\$13,674	\$430



# Growth in Residential Assessment (Single Dwelling Unit) - 2006 to 2007

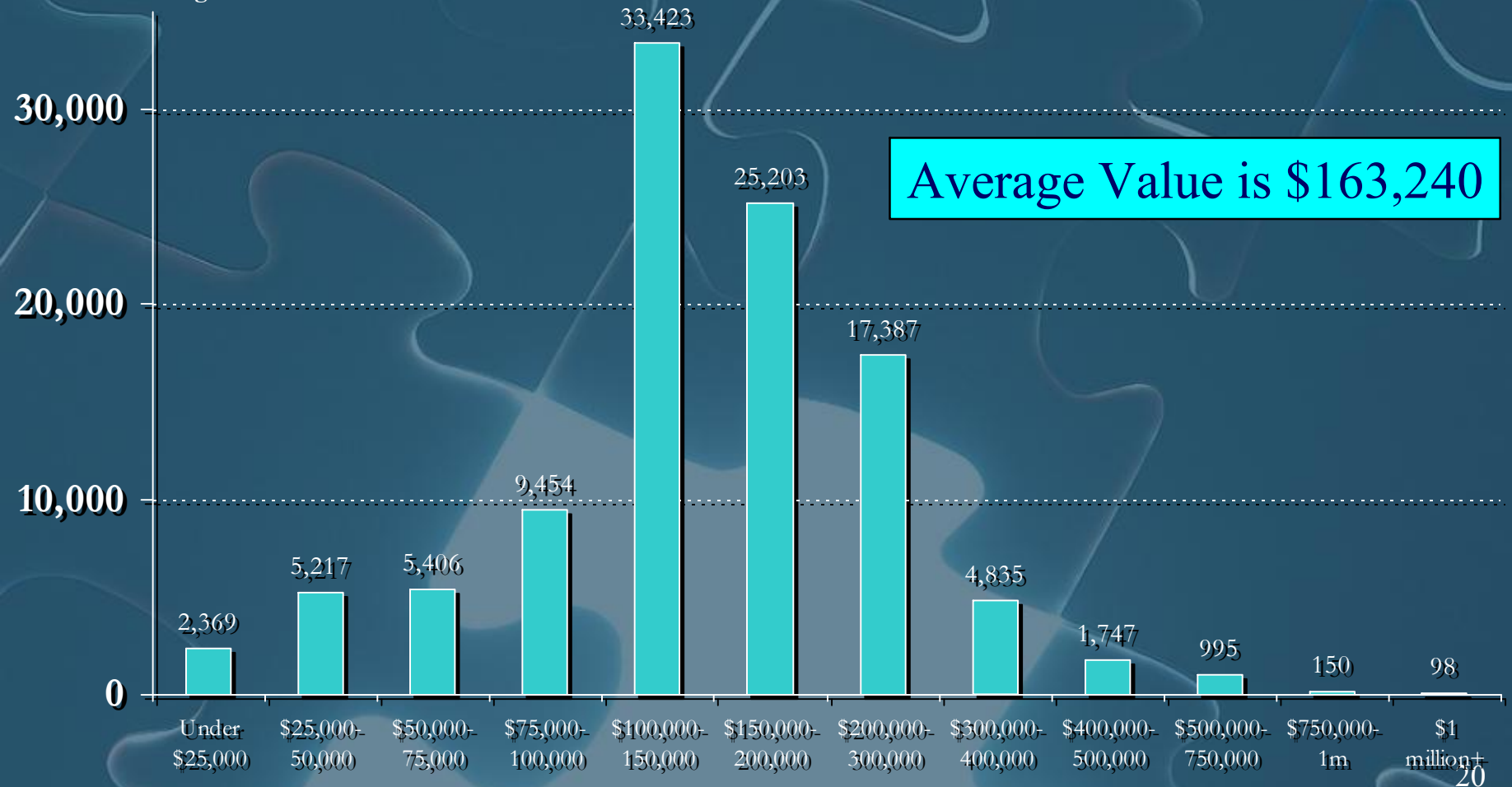
All Districts, All Tax Rates

	Properties	Percent Properties
<b>Increases</b>		
Under - 50%	32	0.00%
-50% to -25%	89	0.10%
-25% to -10%	316	0.30%
-10% to -5%	334	0.30%
-5% to -2%	867	0.80%
-2% to 0%	1,480	1.40%
0% to 2%	8,394	7.90%
2% to 5%	16,701	15.70%
5% to 10%	51,322	48.30%
10% to 25%	24,113	22.70%
25% to 50%	1,956	1.80%
50% plus	680	0.60%

**Average  
Increase  
is 7.9%**

# Distribution of Assessed Values Single Family Homes - 2007

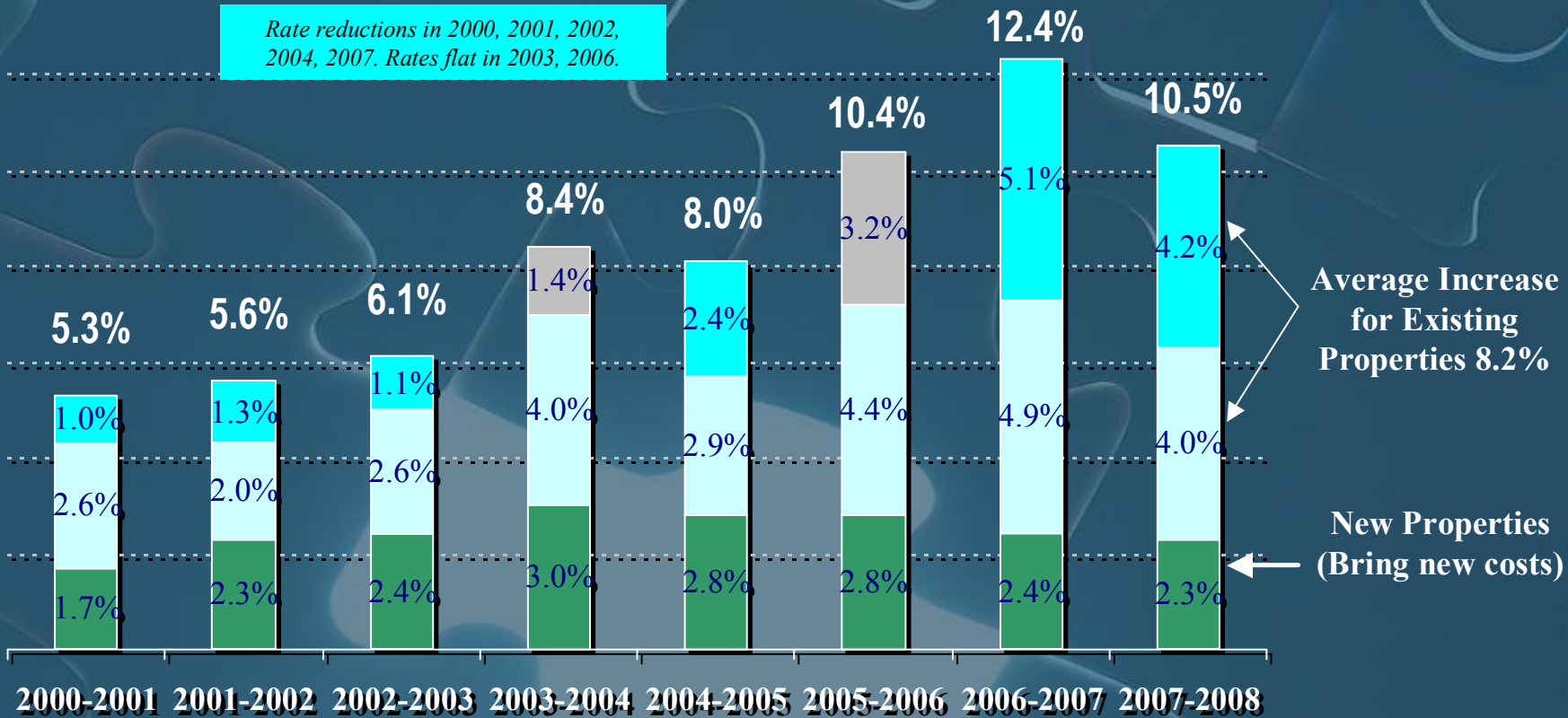
Dwellings



Average Value is \$163,240

# HRM Approach to Setting Tax Rate

Rate reductions in 2000, 2001, 2002, 2004, 2007. Rates flat in 2003, 2006.



■ New Properties (Bring new costs)
 ■ Cost Pressures
 ■ Market Values



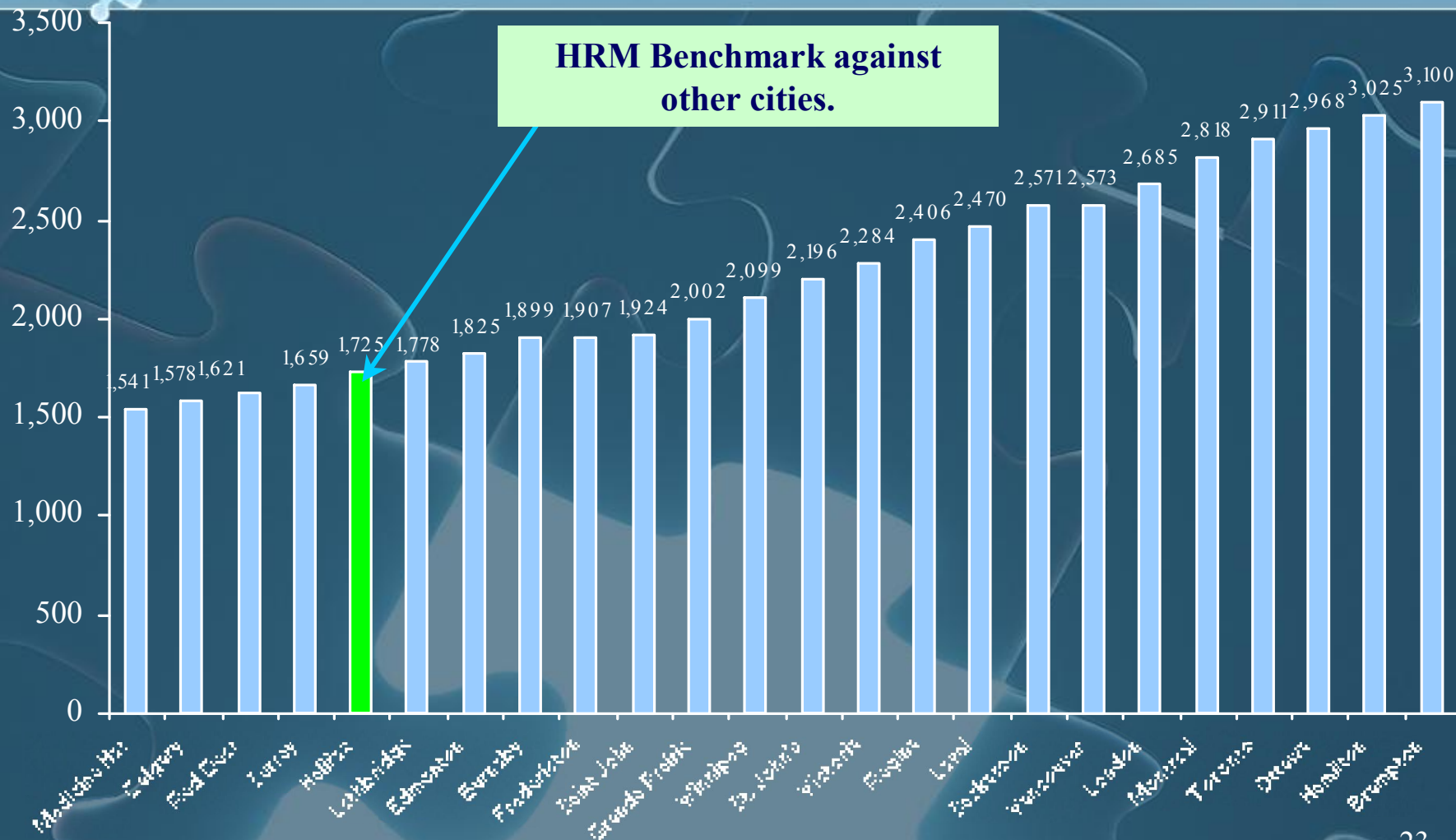
# Residential Tax Rates

	Pre- Amalgamation  1995-1996	Current  2006-2007	Change	Percent Change
Halifax	1.4849	1.3470	-0.1379	-9.3%
Dartmouth	1.5500	1.3370	-0.2130	-13.7%
Bedford	1.3780	1.2980	-0.0800	-5.8%
Sackville (District 20)	1.6140	1.2980	-0.3160	-19.6%
Cole Harbour (District 4)	1.5240	1.2980	-0.2260	-14.8%
Eastern Passage (District 5 Urban)	1.5600	1.2980	-0.2620	-16.8%
	Plus Area Rates now in General Tax Rate			
Suburban (General Tax Rate)	0.8950	1.1586	0.2636	29.5%
	Plus Area Rates now in General Tax Rate			
Rural (General Tax Rate)	0.8950	1.1529	0.2579	28.8%

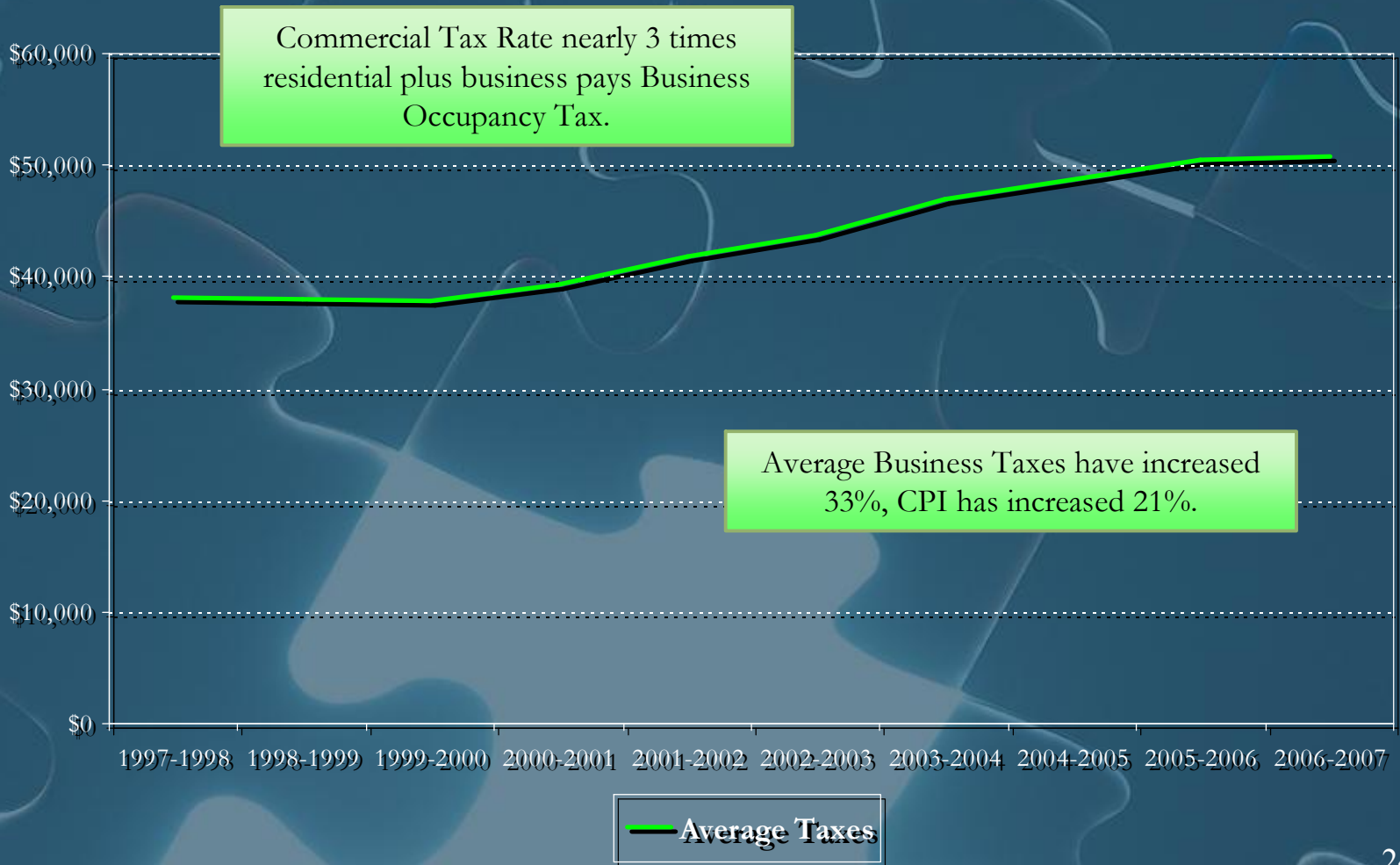
# Comparing Total Property Tax

for a Single Detached House in 2005

- Canadian Cities



# Average Commercial Taxes



Based on Urban General Tax Rate. Includes Business Occupancy.





# Design of Business Occupancy Assessment


## As a Percentage of Real Property

25%	50%	75%
Service Stations, Restaurants, Campgrounds, Trailer Parks, Motor Vehicle Dealers	All other Sectors	Banks, Credit Unions, Investment Dealers, Insurance Companies and other Financial Services



# Business Occupancy Phase-Out Schedule

	<b>25%</b>	<b>50%</b>	<b>75%</b>
2005-2006	25%	50%	75%
2006-2007	-	40%	75%
2007-2008	-	30%	75%
2008-2009	-	20%	75%
2009-2010	-	10%	75%
2010-2011	-	-	75%
2011-2012	-	-	75%
2012-2013	-	-	75%
2013-2014	-	-	-

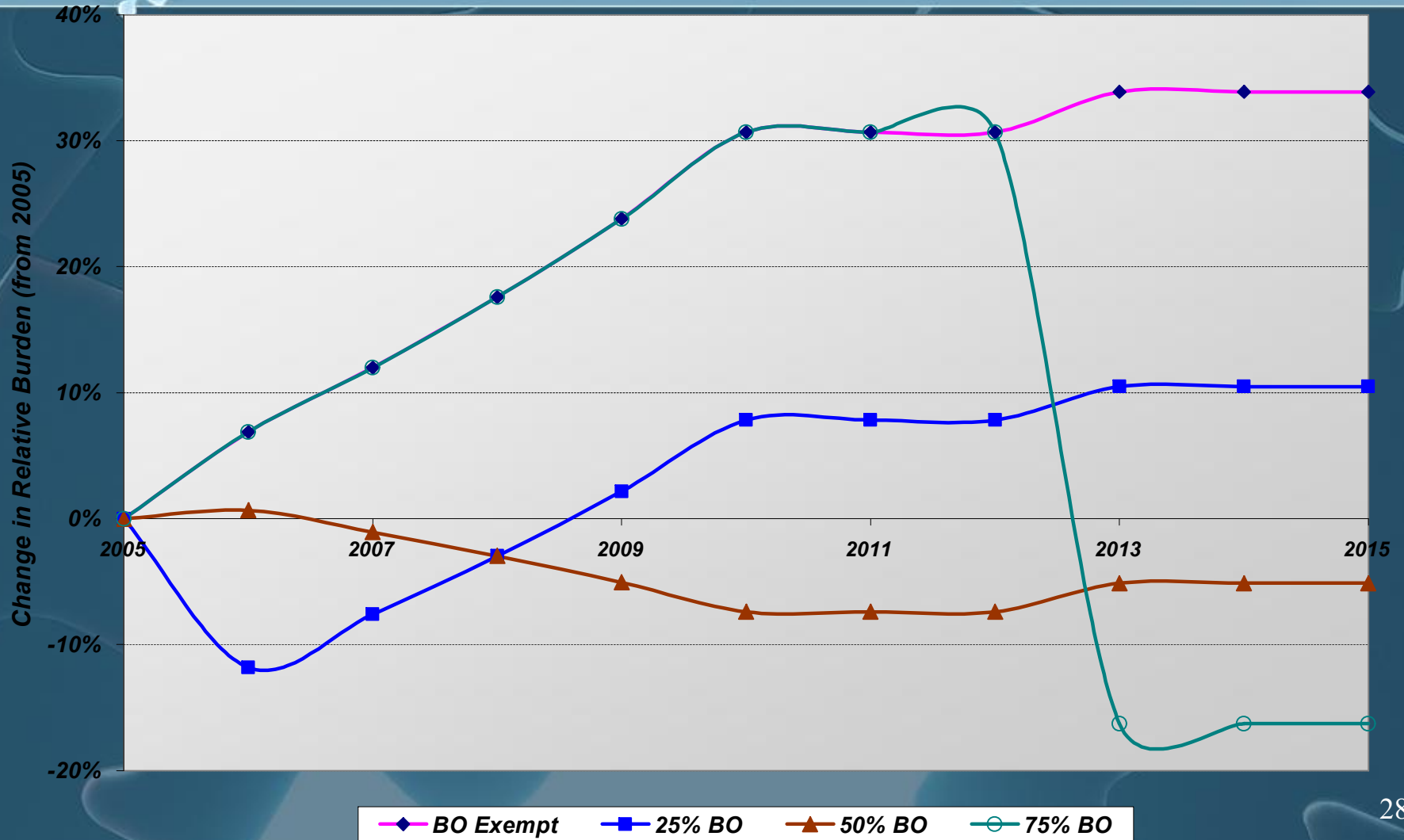


# Impact of Business Occupancy Adjustments

	2005 Status Quo	Revenue Loss	2005 Adjusted	Change
Commercial	115,833,000	0	123,789,000	7,956,000
BOT - 25%	3,933,900	-3,933,900	0	-3,933,900
BOT - 50%	37,389,500	-7,477,900	31,966,000	-5,423,500
BOT - 75%	3,269,700	0	3,494,000	224,300
Other Taxable	5,011,600	0	5,011,600	0
<b>Sub-Total</b>	<b>165,437,700</b>	<b>-11,411,800</b>	<b>164,260,600</b>	<b>-1,177,100</b>
Federal Payments-in-Lieu	13,761,900	-16,200	14,690,000	928,100
Provincial Payments-in-Lieu	3,376,700	-129,500	3,470,000	93,300
<b>Sub-Total</b>	<b>17,138,600</b>	<b>-145,700</b>	<b>18,160,000</b>	<b>1,021,400</b>
Efficiencies	-400,000	100,000	-244,300	155,700
<b>Total</b>	<b>182,176,300</b>	<b>-11,457,500</b>	<b>182,176,300</b>	<b>0</b>

# Business Occupancy

## The Long Term Impact





# Foundations of Current System

- “Market Value” Assessments have no consistent link to
  - Services Available
  - Ability to Pay
  - Cost of Services
- In a growing market, this is especially true.
  - Market segments not growing equally.
- Municipal Government Act offers limited flexibility. Few tools available.



# Market Value and Services

- *Services Available*
  - Market values are affected by a host of factors, *municipal services only one small element.*
    - Eg. Waterfront properties (8% in HRM) are valued much higher than others (average 15% more). Services often the same.
    - Eg. Property Improvements increase market value even though services haven't changed.
    - Eg. Assessed values are rising even though services often don't follow.
    - Sewer, Water not on property tax



# Market Value and Cost

- Cost of Services
  - Property values do not reflect the cost to deliver services.
    - Eg, Condos. Costs less to provide municipal services but value is often higher than other properties.
    - Eg, In-Filling. Many services already exist.
  - Costs often driven by Density, Distance from Service, Dispersion, Diversity.
    - See “Pattern Book” for density estimates



# Market Value and Ability to Pay

- Ability to Pay
  - Property values do not reflect an individual's ability to pay
    - Eg, Values often rise after an individual has purchased a home.
    - Eg, Income can decline after an individual has purchased a home.
    - Eg, High Income individuals can choose to put their wealth into other assets. Lower income individuals could put all their wealth into a home.





# What is the Philosophy?

Tax by total Household Income (2000 Census)

	Income under \$47,000	Middle Income	High Income (over \$77,400)
Low Tax Bill (under \$1,100)	15,200	9,900	4,100
Medium Tax Bill (\$1,100- \$1,600)	9,500	12,800	10,200
High Tax Bill (over \$1,600)	5,000	7,000	15,400

**Weak Correlation between Income and  
Assessment! ( $R^2$  of 27%.)**



# Low Income Relief

## Average Tax Burden for those on HRM Low Income Rebate 2006

Income Levels		Tax/Income (Prior to Rebate)	Tax/Income (After Rebate)	HRM Average Tax after Rebate
-	5,000	32.1%	16.2%	457
5,000	10,000	14.0%	7.5%	586
10,000	15,000	8.7%	4.8%	633
15,000	20,000	7.5%	4.7%	805
20,000	27,000	5.4%	4.5%	1,063
		<b>7.0%</b>	<b>4.7%</b>	<b>837</b>



# Challenges and Risks in Tax Reform

- Risk in not Reforming
  - Increased Taxpayer Frustration
  - Difficulty in establishing tax rate
- Expectation Risk
  - Everyone's tax can't decline, some may increase
- Representative sample of taxpayers
  - Above/Below Average Taxes
  - Fast/Slow Growing Assessment
  - Urban, Suburban, Rural



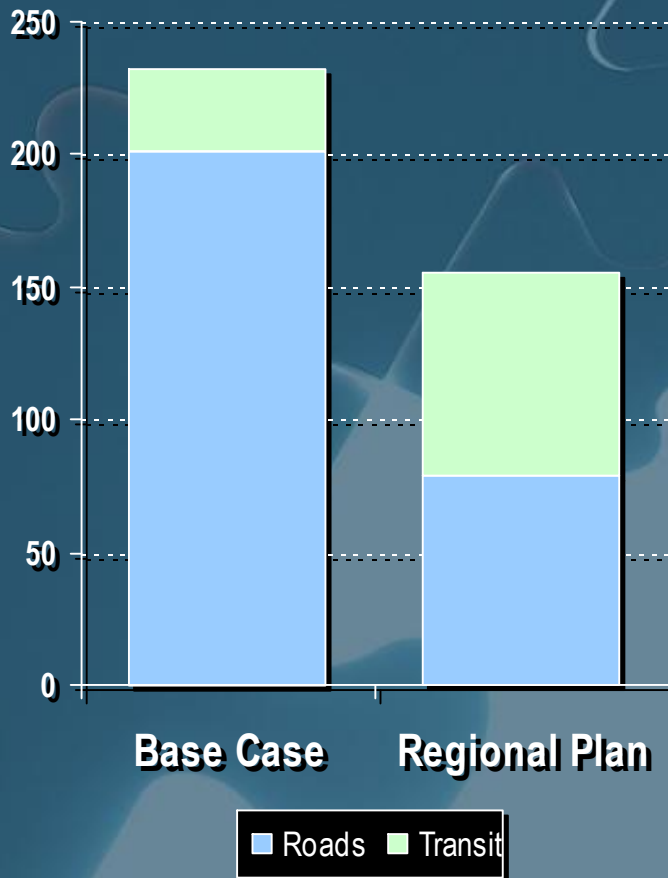
# Sidewalks

## Cost, Availability and Ability to Pay

- Sidewalk Confusion/Inconsistency:
  - Construction – Local Improvement Charges (LIC)
  - Maintenance – Urban Rate
  - Plowing Local Roads – Area Rate
  - Plow Arterial Roads – Urban Rate
  - Curbs – All pay
  - Ditches – Pollution Control Charges (PCC)
- Smaller communities often have difficulty funding a sidewalk
- Should all the features of a road be grouped together?
  - Ditch, storm pipes, asphalt, lights, etc...?
  - Should local areas pay for local costs and all pay for arterials?
- Urban Boundary tied to Sidewalks and Transit

# Transit and Area Rates

**Major Capital Investments**  
Net Present Value (\$000)



- Increased Transit Investment will allow HRM to decrease the need for additional Roads
- Will avoid \$165m in capital and operating costs over 25 years
- Transit investment may not occur if transit remains area rated.



# Costing Issues – What Can We Administer?

- Allocation Issues
  - ABC systems not in place.
  - Most expenditures not tracked by area.
- Computer and Software Issues?
  - New system being developed
- How specific do we make charges? Eg Frontage ?
  - One Linear Charge?
    - Pavement vs chip-sealed vs gravel
    - Concrete vs asphalt curb
    - Lights vs no lights
    - Sidewalks ?
  - Flat Charge with Surcharge or Credit?
  - Corner lots, non-abutters, three-sided lots, flag lots
- Why are we doing it this way and is it worth the effort?