

## **Perspectives on Commercial Property Tax in HRM**

HRM's Tax Reform Project will look at both commercial and residential taxes in HRM. Building on the Chamber's [Economic Strategy](#) we need to know

- How do we properly define a competitive level of municipal tax?
- How does the level of municipal services or tax affect competitiveness?
- Are there different competitiveness issues for different businesses?

### **What are Commercial Taxes Based Upon?**

- Municipal taxes are currently based on [assessed value](#) (estimated market value) of properties, as estimated by the provincial assessment services. The tax rate is set by HRM.
  - For leased properties, rents collected by owners are evaluated ("income" method)
  - For owner-occupied properties, assessment is based on cost to purchase ("cost" method)
- Tenants may be assessed a [Business Occupancy Tax \(BOT\)](#), which is currently being phased out
- HRM fees include a 1.5% [Deed Transfer Tax](#) on the purchase of properties.

### **So How High or Low are Commercial Taxes in HRM?**

- There are about 11,400 businesses registered and 5,250 private commercial properties in HRM.
- The [average commercial property](#), employing 40 people, pays about \$35,000 annually in municipal tax. Taxes vary significantly by business, ranging from less than \$100 to more than \$1,000,000.
- In HRM, the commercial tax rate is nearly three times higher than the residential tax rate. This "commercial multiplier" averages about **3.5**, if you include the Business Occupancy Tax (BOT).
  - Across Canada, the commercial tax rates are often higher than the residential rate. It can range from **2.3** in Regina to **5.4** in London (industrial properties).
  - It is difficult to [benchmark](#) HRM's commercial taxes to other Canadian cities. Some studies ([Chamber of Commerce](#), KPMG) have found them high while other information suggests they may be comparable to most cities.
  - In HRM, commercial properties contribute 41% of all property tax revenues, down from 45% in 2002-03.

### **What's the Link between Commercial Taxes and Services?**

- Commercial properties are provided many of the same services provided to residential services including transportation (roads and transit), police, and fire. Solid waste is provided only to small residential properties (6 units or less) and rural businesses.
- Commercial and residential properties use and benefit from municipal services in different ways
  - Some services may be of greater benefit to residential properties, e.g. playgrounds
  - Some services may be used more by commercial properties, e.g. arterial roads
- HRM has analysed the [cost of providing municipal services](#) to commercial and other properties
  - The HRM MERA Model study (2007) indicated that commercial properties contribute about 37% of all municipal revenues but directly use only 26% of municipal services. These results are an average and would vary from firm to firm.

### **What does this mean for Competitiveness in HRM?**

- What does commercial tax mean for HRM's business climate or competitiveness? Does it have an undesired economic effect on HRM residents?

### **For More Information**

- See HRM's Tax Reform website at: <http://www.halifax.ca/taxreform/>, or
- Call HRM's Tax Reform phone line at: (902) 490-4886, or
- E-mail us at: [taxreform@halifax.ca](mailto:taxreform@halifax.ca).