Tax Reform- Public Participation

Staff Presentation to Tax Reform Committee

February 8, 2007

Outline

- Role of Public Participation

- Tax Reform Decision Stages
  - Principles, Foundations, Goals, Tools
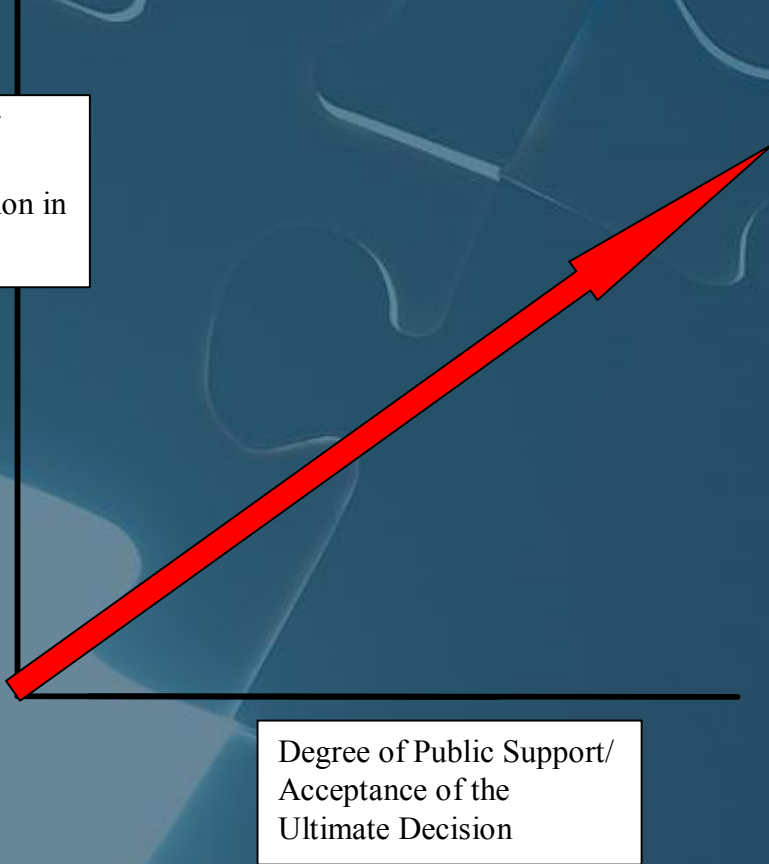
- Sample Tax Reform Packages

- Options for Consultations

What is Public Participation

- Public participation is any process that involves the public in problem-solving or decision-making and uses public input to make decisions (International Association for Public Participation (IAP2)).

How Important Is Public Participation?

- As participation increases, public support for the decision increases (IAP2)

- Decisions that are widely supported by the public tend to be sustainable (IAP2)

Degree of Public Participation in Decision

Degree of Public Support/ Acceptance of the Ultimate Decision

Tax Reform Decision Stages

Principles of a well designed tax system

↓

Foundations of the tax system

↓

Goals of the tax system

↓

Tools for Taxation

Tax Reform-Principles

- **Principles**
  - Stability
  - Transparency
  - Equity
    - Consistency
  - Competitiveness
  - Simplicity

- **Other Principles**
  - Balance
  - Broad Based
  - Intergovernmental Linkages
  - Adequacy
  - Efficiency

Tax Reform-Foundations

- Why do we tax people the way we do?
- What should the tax system be based on?
  - Based on Ability to Pay?
  - Based on Services?
    - Cost of providing services
    - Availability of services
  - Combination of both?
    - Use of Low Income Tax Relief (eg circuit breakers)
  - Other?

59% support an "ability to pay" system.

77% support a system based on "services".

Tax Reform-Goals

- How do we wish to use the "Foundations" to calculate Taxes?

- What behaviours do we wish to encourage or discourage?

- How does the tax system support HRM's corporate objectives?

Tax Reform-Tools

- **Market Value Assessment:**
  - Maximum Tax, Assessment Cap, Temporary Tax Credit, Circuit Breakers and Income Relief.

- **Modified Assessment:**
  - Value on Buildings and Structures, Standard Cost for Land, Cap Land Values, Acquisition Value, Freeze Assessment.

- **New or Swapped Tax Powers:**
  - Sales, income, fuel, liquor tax, Higher Provincial Grants and Lower Property Taxes.

- **New/Increased User Fees:**
  - Solid Waste, Roads, Recreation and other fees.

- **Dwelling Unit and Other charges:**
  - Minimum Tax , Dwelling Unit Charges, Per Property Charges, Acreage Charges, Frontage Charges, Poll Tax, Tax Based on Square Footage of buildings.

Approaches to Public Consultations

Stages of Process	Approach A	Approach B	Approach C	Approach D
Principles	Consult	Committee	Committee	Committee
Foundations	Consult	Consult	Committee	Committee
Goals	Consult	Consult	Committee	Committee
Tools	Consult	Consult	Consult	Committee / Consult
Level of Public Consultation	Intense →			Low

Approach A- Consult at all levels

- **Pros**
  - The public feels engaged and involved from the onset of the project.

- **Cons**
  - Principles may not be contentious.
  - Some individuals will find this frustrating and difficult to follow.
  - Time consuming.

11

Approach B- Consult on Foundation, Goals and Tools

- **Pros**
  - The public feels engaged and has the ability to influence key decisions that will guide HRM's taxation system.
  - Process allows for buy-in of Foundation.
  - Easier to focus on tools later.

- **Cons**
  - Some individuals will find this frustrating and difficult to follow.
  - People will want to debate tax options.
  - Time consuming at start.

Approach C- Consult only on Tax Tools

- **Pros**
  - Can be completed in a timely manner.
  - Able to consult the public on tangible options.

- **Cons**
  - Public may disagree with Foundations chosen.
  - Involving the public late in the process.
  - Public may feel the decision has already been made, and the consultation is just a formality.
  - Public doesn't feel ownership over the decisions made.
  - Risk the process may derail, fail or have to backtrack..
  - Individuals may focus on specific impacts on their properties, not the principles or foundations.

Approach D- Consult at End

- **Pros**
  - Could be completed in a timely manner.

- **Cons**
  - Public would have little or no formal input into the new system.
  - Perceived as a formality.
  - Public doesn't feel ownership towards the decisions made.
  - Risk the process may derail, fail or have to backtrack..
  - Individuals may focus on specific impacts on their properties, not the principles or foundations.

Sample Tax Reform Packages

Stages of Process	Package 1	Package 2	Package 3	Package 4	Package 5	Package 6	Package 7
Principles	Transparency, Equity, Stability, Competitiveness, Simplicity	Transparency, Equity, Stability, Competitiveness, Simplicity	Transparency, Equity, Stability, Competitiveness, Simplicity	Transparency, Equity, Stability, Competitiveness, Simplicity	Transparency, Equity, Stability, Competitiveness, Simplicity	Transparency, Equity, Stability, Competitiveness, Simplicity	Transparency, Equity, Stability, Competitiveness, Simplicity
Foundations	Ability to Pay	Ability to Pay	Service Based/ Ability to Pay	Service Based/ Ability to Pay	Service Based (Availability)	Service Based (Cost)	Service Based (Cost)
Goals	Taxes levied according to income	Taxes capped according to income	Reduce impact of assessment changes. Taxes capped according to income.	Local Services levied by access. Taxes capped according to income.	Based on Availability of Services	Based on Partial Cost of Services. Behaviour reflects "Cost Drivers".	Based on Full Cost of Services.
Tools	Municipal Income Tax	Assessment but with a Circuit Breaker	Dwelling unit charge 10%, Assessment charge for 90%. Circuit Breaker used.	Frontage charge for road services, dwelling unit charge for other services. Circuit Breaker used.	User Fees, Frontage, Dwelling Charges, Other	User Fees, Frontage, Dwelling Charges, Other	User Fees, Frontage, Dwelling Charges, Other. Change commercial weightings.

Many Other Packages and Variants exist

Key Points on Sample Packages

- **Principles** are the same – may not be a source of debate.
- **Foundations** – Two key directions:
  - Ability to Pay vs Services (Cost/Availability)
- **Tools** – Highly contentious
  - Some tools require more debate/buy-in.
  - Many will want to debate tools without agreeing on Foundations or goals.
    - Tools could be used to accomplish opposing goals.
  - At this stage individuals want to know the "impact" on their homes.
- **Evaluation Criteria** – Required to assess the packages.

Options for Consultations

- **Option 1** – Public Determines Foundation
  - Spring Consultations – Determine Foundation.
  - Fall Consultations – Present Full Package(s) with option(s) for Tools.

- **Option 2** – Public Confirms Foundation
  - Present range of Packages in Fall, based on several Foundations and option(s) for Tools.

- **Option 3** – Committee Determines Foundation
  - Present Package(s) in Fall, based on only one Foundation and option(s) for Tools.