

Re-Building the Municipal Tax System

Case Discussions for Workshops

Scenario 1- Sharing in Services (e.g. - Sidewalks, Recreation):

We wish to discuss how we might share in the cost of providing municipal services. For example, we could look at sidewalks. Picture a growing community that is experiencing increased road traffic. The traffic can be attributed to both people from the community, and people traveling through the community on their way to work. The community is concerned that there are no sidewalks on the busy road. Similar issues might just as easily apply to a recreation or community facility.

1. Who should help pay for the services that are needed in this community?
 - People that live on the road, and will have the sidewalk in front of their house? Why?
 - All the people in the community? Why?
 - Those who drive through the community, and are creating the need for the sidewalk? Why?
 - All of HRM? Why?
2. What if this was a sidewalk
 - a. In low-income community?
 - b. on a quiet residential street?
 - c. on the way to a school?
3. How does this issue link to
 - a. Ability to pay. How do you measure ability to pay?
 - b. The Principles
 - i. Equity – What is Fair?
 - ii. Stability
 - iii. Simplicity

Scenario 2- Cost of Services (e.g. Condos and Apartments):

Even though services may be identical, the cost to provide services may vary between areas of HRM or between housing types.

1. Should homes that cost a lot to service pay the same or a different level of tax than those that cost less to service?

A community has a number of condominiums and apartment buildings of similar size. Services available to the buildings are very comparable. HRM's research into housing density has concluded that the cost to provide municipal services to apartments and condos is comparable. On average, people living in condos pay three times as much property tax as those living in apartments. [People in apartments pay taxes indirectly, through their rent.] On the other hand the income of the average condo owner is greater than of those in apartments. We need to understand if the current situation is equitable and why or why not.

1. Should condo owners and apartment renters be paying the same amount of tax because it costs HRM relatively the same amount to service the two different types of building?
2. Should condo owners and apartment renters be paying the same amount because they are receiving the same level of services?
3. Or, is it okay that condo owners pay more because on average they have a greater ability to pay than those living in apartments?

Looking at another comparison, Based on research undertaken, HRM's cost to provide municipal services to a condo or apartment is about half that of providing services to single family homes.

1. Assuming that the service level is the same, should condo owners be paying less because they are less expensive to service than single-family homes?
2. What if the people living in single-family homes had less ability to pay? Should they still pay more than those living in condos, since they are less expensive for HRM to service?
3. How does this issue link to
 - a. Ability to pay. How do you measure ability to pay?
 - b. The Principles
 - i. Equity – What is Fair?
 - ii. Stability
 - iii. Simplicity

Scenario 4 - Ability to Pay (Low/Medium income):

One of the critical issues we need to understand is ability to pay. Ability to pay refers to whether people at different income levels can afford their taxes or fees. Some communities may have a high proportion of low income families. That may make it difficult for the community to afford certain services. To what extent might we adjust or change the tax system to allow for ability to pay. Could we allow for reduced taxes or for user fees?

For discussion purposes, suppose a family lives in a community comprised of a variety of housing types and income levels. Property owners in the area have been experiencing an increase in their property assessments, and therefore their property tax bills have been increasing. One low-income family is finding it increasingly difficult to pay their tax bill.

1. Is it fair that this family is paying the same amount for services as others in their community if they have less ability to pay?
2. One family is a retired couple on a fixed income that has lived in their home for over 30 years? New homes recently built have driven up their assessment. While they appreciate the higher house value they find it difficult to afford their taxes. They aren't ready to sell. Should they pay the same amount (or same %) of their income as other families in different circumstances? Why or why not?
 - a. What if the retired couple was a young working class family who have lived there for 10 years?
3. Two families living in similar homes receive the same municipal services, and pay the same amount of municipal taxes, despite the fact that they have different levels of income

Value of House is \$175,000

Family No 1

Tax Bill = \$ 2,100

Income = \$35,000

% of income = 6%

Family No 2

Tax Bill = \$ 2,100

Income = \$70,000

% of income = 3%



- Is it fair that they are paying the same amount in taxes for the same services, even though they have different levels of ability to pay?
- Why, or why not?
 - What if an individual with \$210,000 lived in one of the homes? Should they pay \$2,100 (i.e. 1% of their income)?

3. Consider the same families. What if they pay the same percentage of their income in municipal taxes?
- Is it fair that these two families pay differing amount for municipal tax for the same services?
 - Is it fair that they are both paying the same percentage of their income on property taxes?

Value of House is \$175,000

Family No 1

Tax Bill = \$ 1,050

Income = \$35,000

% of income = 3%

Family No 2

Tax Bill = \$ 2,100

Income = \$70,000

% of income = 3%



- What of the high income individual with \$210,000 in income. Should they pay the same percentage (3% = \$6,300).

4. How does this issue link to
1. Ability to pay. How do you measure ability to pay?
 2. The Principles
 - i. Equity – What is Fair?
 - ii. Stability
 - iii. Simplicity

Scenario 5- Benefits (Recreation Facilities):

Recreation and Community Facilities exist across HRM. They can provide a meeting place for the community, recreation for families, and places for youth to blow off steam. Not every community in HRM, however, has a recreation facility. These facilities are expensive to build and to operate. Some individuals may travel quite far to use such a facility (e.g. rink, pool, soccer field) while other families in the immediate community may never go there. Who should share in the costs? Is it the individuals who use the facility or is there a wider benefit?

For example, a family lives in a community with a recreation facility that offers a wide variety of programs. They feel that since they do not use the facility, they should not have to pay for the maintenance and provision of the recreation centre.

1. Does this family benefit from having a recreation centre in their community?
2. What are the societal benefits from the provision of a recreation centre?
3. Keeping these benefits in mind, who should share in funding a community recreation centre?
 - Those that live within a certain distance of the recreation centre? What is an appropriate distance?
 - Those that directly use the centre's programs?
 - Everyone in the community?
 - All of HRM?
4. A single parent family lives in the community. They are worried that if recreation programs are funding by only those that use the programs, they will not be able to use the centre's programs. Is it fair that some families will be excluded from using the programs because of their ability to pay?
 - If no, should HRM help these families?
5. What if the community is a low income community? How should HRM help this community fund their recreation centre?
6. How might these principles differ for another type of service? For example Education or roads.