

**Attachment B**

**Summary of Comparative Local Government Tax Information**

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- New Brunswick
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- Ontario
- Manitoba
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- Alberta
- British Columbia

**United States.....pg 8**

- Portland, Maine
- Boston, Massachusetts
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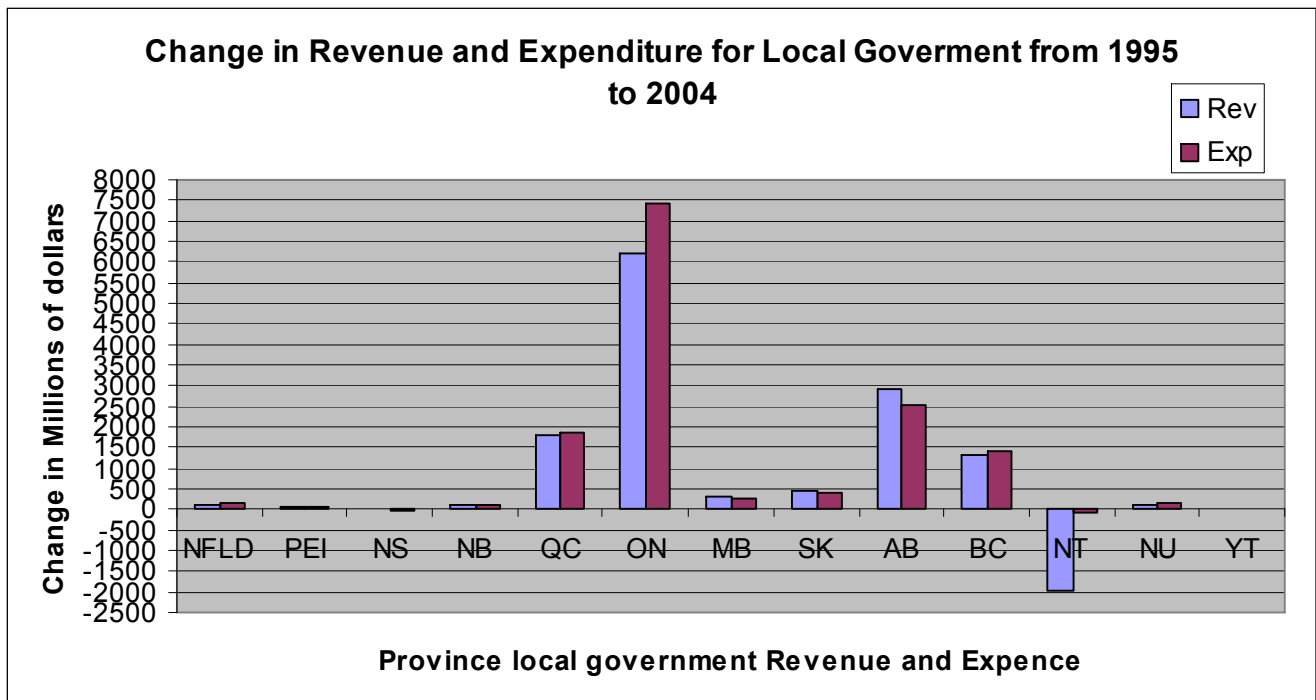
- United Kingdom
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- New Zealand
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## Local Governments in Canada

- Property taxes are the main source of revenue for local governments across Canada
- Market value assessment, also known as “current value” assessment in Ontario, is the main assessment method used by all provinces
- No local government is permitted to levy an income tax
- Although local government revenue has been increasing all across Canada, it has increased the least in Nova Scotia from 1995 to 2004
- Also, while other local governments are increasing their spending on services, local government spending in Nova Scotia has been decreasing (See chart)
- Revenue derived from property and related taxes increased from \$35.8 billion in 1996 to \$93.8 billion in 2004
- A business occupancy tax is levied in St. John’s, Winnipeg, Edmonton, and Calgary. It is being eliminated in Nova Scotia



### Newfoundland

- Newfoundland does not impose a school tax, and municipal property taxes are optional
- Property is assessed by the provincial Municipal Assessment Agency, except in St. John’s where the property is assessed by the city
- Business occupancy or “business” tax is calculated as a percentage of the assessed value of the portion of a property being occupied by the business operation. The 2005 general business tax mil rate is 18.76, or 1.876 %, with a fluctuation in that percentage for a small number of specific business classes

- St. John's offers a ten year holiday for the Business Occupancy Tax, followed by a five year phase in period increasing by 20% per year for companies that are part of the province's Economic Diversification and Growth Enterprises Program
- In St. John's, registered charities and daycare facilities are not exempt from the Business Occupancy Tax, but they are presently taxed at a zero mil rate
- There is a 10% increase in the Business Occupancy Tax for businesses located in the Business Improvement Area
- Market value is used for property valuation in St. John's, and has a three year assessment cycle
- St. John's can impose a fuel tax that does not exceed .50 cents on every litre of fuel oil purchased
- Entertainment taxes can be placed on forms of public performance, either imposed on the management of the entertainment, or upon admission
- There is a cable installation tax that must be paid by the owners for the right to install cable
- There is a deed transfer tax that is not to exceed \$25.00

### **Prince Edward Island**

- The province collects both the provincial and municipal property taxes

### **New Brunswick**

- Both the province and the local governments have property taxing authority in NB
- The province collects both the provincial and municipal property taxes; however, municipalities are able to set their own property tax rates
- The provincial rate is an additional \$1.50 per \$100 of assessment for residential property, and \$2.25 per \$100 of assessment for non-residential property; however, the \$1.50 for residential property is not applied if the property is owner occupied
- In an attempt to create an encouraging business growth, the province has frozen the assessments of certain heavy industries
- Non residential properties are taxed 1.5 times more than residential
- Property assessment is based on market value, and is reassessed annually
- Municipalities in NB also derive revenue from Business Improvement Areas
- The Business Improvement area tax is not to exceed .20 per \$100 of assessment

### **Quebec**

- Quebec allows local government to levy a transfer tax on most real property
- The tax rate is set at 0.5% on the first \$50 000, 1% on the next \$200 000, and 1.5% on amount exceeding \$250 000
- Farm, woods, and government property are all exempt from this tax
- General tax rates for the city of Quebec does not include snow removal, water, or solid waste
- Local governments in Quebec may levy an amusement tax
- It became possible for municipalities to set property tax rates that vary according to the type of immovability

- Non-residential immovable
- Industrial immovable
- Immovable consisting of six or more dwellings
- Serviced or vacant lot
- Residual
- There are also twelve subcategories for properties that are both residential and non-residential, called classes
- Each class has their own tax rate
- There are also three subcategories for properties that are both industrial and non-residential
- Tax rates for each category and class is set in relation to the basic rate, which corresponds to the rate in the residential category
- There are very complex rules for establishing the rates for each category and class
- There are three methods used to arrive at an immovable's real value
  - Parity method
  - Income method
  - Cost method
- Montreal: uses hotel tax/chargers
- The city also has user fees for water and sewer
- Montreal also receives revenue from a fuel tax, a tax of 1.5 cents per litre that is used for transit services in the city.<sup>1</sup>
- Montreal has recently undergone a reassessment, creating a new valuation roll. This new roll has created some dramatic increases in property taxes for some, while decreases in property taxes for others
- To help alleviate the impact of the new valuation roll, the city is implementing a three year phase in period
- The average increase in residential property value was by 29%
- Starting in 2004 in addition to the property taxes that were based on the assessment value before the new roll, the total increase that the property faced due to the reassessment was divided by 3, and the first portion (1/3) of the increase was added (or subtracted if the assessment had decreased due to the reassessment) to the 2004 taxes resulting in the *tax adjusted value* of the property
- Two thirds of the change will be added or subtracted, as the case may be, in 2005. In 2006, the full value of the change will apply, meaning that municipal taxes will then be based on the value listed in the roll.
- Montreal is currently undergoing harmonization of tax rates for the whole island. The change in the tax rate for any area or sector of the island cannot exceed 5%
- Other charges relating to the new valuation roll, payment of previously contracted debts and financing of new needs such as improvements to water services, may be added.
- Non-residential tax rates can be found at  
<http://www2.ville.montreal.qc.ca/finances/taxfon/imm-non-res-mixte-a.shtm#1>

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<sup>1</sup> <http://www.ottawa.ca/calendar/ottawa/citycouncil/occ/2001/12-12/csed/Final%20Final%20Task%20Force%20Report%20Nov%2027%2001.htm>

- In 2004, the city of Montreal also implemented a water improvement tax for all those who will benefit from the water improvement in the form of a user fee
- The \$25 million in revenue that is to be generated by the new tax will be collected in such a manner that the taxes are paid by different types of users (residential, non-residential and major non-residential consumers) and will reflect their respective usage of the service.
- Residential property including: residual six dwellings or more and serviced vacant lots will be taxed at a rate of \$0.016 per \$100 of property valuation (adjusted tax value).
- Non-residential property will be taxed at \$0.072 per \$100 of property valuation (adjusted tax value). \$0.32 per cube metre on excess consumption over 100,000 cubic metres

### **Ontario**

- In Ontario, social services make up for 25% of municipal spending.
- Ontario has a universal residential tax rate for education, so that regardless of ones location in Ontario, people pay the same tax rate for education which was .296% in 2004 and 2005
- There is no business occupancy tax in Ontario; it was eliminated in 1997
- Tax capping legislation limits tax increases to 5% of the previous year's levy plus municipal levy increases for commercial, multi residential and industrial property
- Provincial laws also restrict the government's ability to shift tax burden from residential to other property classes through a “range of fairness”
- There is already a gap between the amount of property taxes paid by residential and non residential, but the province has limited the ability of municipalities to increase this gap
- Assessments in Ontario are conducted by the Municipal Property Assessment Corporation (MPAC)
- Ontario uses current value assessment for property valuation that is planned to be updated every year
- There was no reassessment for 2004, as Ontario was phasing in a new valuation date. The valuation date is changing from June 30 to January 1 of the assessment year
- Tax exemption/rebate programs include the Farm Property Class Tax Rate Program, Managed Forest Tax Incentive Program, Seniors and Disabled Exemption Program, and Vacancy Rebate Programs
- The province of Ontario requires municipalities to provide eligible charities with a rebate of at least 40% of their property taxes
- In Kitchener, there is a rebate program for commercial or industrial business owners if they have a building or a portion of a building that has been vacant for more than 90 days
- Toronto wants to break away from the provinces control, and increase their revenue sources through access to income and sales taxes
- AMO’s immediate priorities for 2005, as communicated in its pre-budget submission to the Province, include initiatives such as:
  - Granting municipalities access to new revenue tools to fund key services;

- Exempting municipalities from paying Provincial Sales Tax (PST); and
- Providing municipalities with additional provincial gas tax revenue to support municipal transportation including the over 5,000 km of downloaded provincial roads and bridges.<sup>2</sup>

## **Manitoba**

- Market Value assessment is used for valuation of property, which is reassessed ever 4 years
- Assessments are conducted by the province, except in Winnipeg
- There are 10 different classes for assessment
- Residential property owners pay taxes on 40% of its assessed value, while non-residential property owners pay taxes on 65% of their assessed value.
- A \$400.00 Provincial tax credit for individuals is deducted from property tax bill automatically and is part of the residential tax formula
- In addition to each city's mill rate, each school district is able to set its own mill rate
- A business tax is applied to the annual rental value of the businesses in Winnipeg
- The rate is capped by the city at 15%.
- Businesses in Winnipeg can be paying up to five different types of property taxes including:
  - School Division Tax
  - Municipal Property Tax
  - Provincial Education Support Levy
  - Municipal business tax in some areas
  - Local improvement zone levies
- Manitoba transfers 2.2% of its personal income tax revenue, and 1% of its corporate income tax to its municipalities
- Local governments in Manitoba can also piggy-back onto the province's tax on hotel rooms, restaurant meals, and on liquor purchases
- Transfer taxes are permitted for local governments in Manitoba, but currently there are no local governments exercising this power, and the tax rate that would be applied has not be legislated
- Winnipeg also receives a portion of the province's fuel tax
- In addition, the city levies a tax on billboards, depending on the square footage area
- There is also a tax on the consumption of electricity and natural gas. The rate for residential consumption is 2.5%, and 5% for businesses. The amount of the resource used for heating is exempt from the tax
- A tax of 10% is also levied for the Entertainment Funding Tax
- In its New Deal, the Winnipeg was looking to
  - Reduce property taxes in half
  - Eliminate the business tax

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<sup>2</sup><http://www.amo.on.ca/AM/Template.cfm?Section=20058&CONTENTID=17244&TEMPLATE=/CM/ContentDisplay.cfm>

- Reduce the cost of public transportation to encourage use
- Bring in new user fees to heating bills, hotel rooms, solid waste collection, and alcohol

### **Saskatchewan**

- Property is assessed by the Saskatchewan Assessment Management Agency
- In Regina school districts and Library Boards have the authority to set their own mill rates; however, the library boards' mill rate must be approved by the Regina City Council
- Regina taxes provincially owned electrical and natural gas utilities; however the tax rate on provincially owned electrical and natural gas utilities is capped by the province
- The business tax was eliminated in 2000 mainly due to an increase in the amount of payments-in-lieu by the province of Saskatchewan
- There is no provincial capping on the assessments, rates, or revenue for property taxes, however, the province set a proportion rate used to calculate the amount of the assessed value of a property that can be taxed: 70% for residential, and 100% for Commercial
- There are five property classes for provincial set proportion rates, and 8 property classes for the mill rate factors
- Regina also has the ability to levy a base rate, however, they are not using a base rate in 2005 for residential property taxes
- In 2006 there will be a uniform education tax credit
- The City of Regina also has a two-year phase in period for commercial and industrial property tax increases
- In 2005, the phase in period stipulates that the tax increase will not exceed 30% or \$3000, whichever is greater
- Also decreases in commercial taxes will be phased in at 50% of the decrease in excess of \$10 000
- The city of Regina uses Fair Value Assessment, and reassessment is conducted every four years
- The city levies an amusement tax of 10% on tickets sold for concerts, sporting events, theatres, etc

### **Alberta**

- The education mill rate is determined by the province
- It is collected by municipalities on behalf of the province
- Edmonton and Calgary now receive provincial grants for transportation infrastructure that is set at the equivalent of approx. 4.5cents for every litre of fuel sold in the two cities
- There is a Business Occupancy Tax in both Edmonton and Calgary
- In Edmonton and Calgary, the business tax is applied to the annual rental value of businesses
- Edmonton can charge a local improvement tax

- Edmonton also levies separate taxes on utility operations, which is capped by the province
- In Calgary any business doing renovations must apply to become a Business Revitalization Zone (BRZ), and businesses within that zone are expected to pay an additional, specific BRZ tax
- Both Edmonton and Calgary use market value assessment for valuation of property
- There is no provincial capping on the assessment, revenue, or tax rates
- However, in 2004 Calgary's budget guidelines stipulated that the municipal property taxes were not to increase by more than 5%, and also that there be no business tax increase
- The assessments are conducted by the province annually

### **British Columbia**

- There is no business occupancy tax in British Columbia
- Market value assessment is used for property valuation, and is reassessed yearly by BC Assessments
- Victoria and Vancouver collect the education portion of the property tax, which is remitted to the local school boards and the provincial government
- In addition, the City of Victoria collects taxes on behalf of the Capital Regional District, the Capital Regional Hospital District, BC Assessments, Municipal Finance Authority, and the Regional Transit authority
- For these taxes, the City of Victoria does NOT set the rates
- There is currently no provincial capping on the assessment, revenue, or tax rates
- There is a Home Owners grant that can reduce the amount of property taxes paid
- Applicants must apply for the program annually
- The maximum reduction for the grant is \$479, with an additional \$275 grant available to seniors and permanently disabled persons
- The minimum amount of taxes that must be paid is \$350, and \$100 for those eligible for the additional grant
- Vancouver, Victoria and other municipalities offer a Tax Deferment Program
- In Victoria, the basic residential garbage collection service includes one regular container of garbage per collection period
- A User Pay sticker must be placed on all other garbage to be collected at the expense of \$3.50 per sticker
- The city of Victoria has a sewer frontage charge that is included on the property tax bill; in addition, there is a rate charged for sewer based on metered water consumption at .54 per 1 until of water consumed
- Vancouver allows two garbage cans to be collected weekly. Any additional garbage is subject to a fee
- A tax of 8 cents per litre on fuel is levied to Vancouver for capital and operating costs of transit services and major roads within the Greater Vancouver Regional District
- Cities in BC are permitted to levy a 2% sales tax on lodging and accommodations (which is in addition to the 8% tax levied by the province)



- This rate is capped at 2% by the province
- All funds raised by the hotel tax in Vancouver are transferred directly to Tourism Vancouver
- Vancouver also levies a business improvement tax
- Vancouver also receives 10% of the net profits from the Casino operations, and a share of provincial traffic fine revenue
- Vancouver also generates revenue from issuing permits for development, building, Occupancy, Plumbing Gas and Electrical installation, and tree permits
- The City of Victoria also derives revenue from park and recreation fees
- Property with several distinct uses can fall into more than one class. For example, commercial and residential space might be combined in one building, or a property combines residential, farm and forest land. In these cases, BC Assessment determines the share of the value of the property attributable to each class.

## ***The United States***

Although market value assessment is the most commonly use method for property valuation, many local governments, most notably those in California use acquisition value assessment (a variation of market value) for property valuation. Acquisition value assessment freezes the market value of a property at the year of purchase. The assessed value of the property will only increase at a set rate (in many states, the rate of inflation) until the property is sold. Once the property is sold, the property is reassessed at its current market value. Acquisition value assessment creates a situation where many local governments are restricted in their ability to raise substantial property tax revenue due to the limit on assessment increases. In most states using acquisition value assessment, the limit on assessment increases may only be lifted with a majority support in a popular vote.

### **Portland, Maine**

- 2005 tax rate in Portland for property tax is 20.13 per \$1000 of assessment
- To encourage new capital investment in Maine, local property taxes are reimbursed for most qualified businesses for up to 12 years; this reimbursement must be applied for annually
- Maine also has a Residence Property tax and Rent Refund program made for people whose property taxes exceed a certain % of their income
- There is also a homestead exemption program, and Blind and Veterans Exemptions
- 44% of local government revenue in Maine comes from property taxes, 33% from income taxes, and 23% from sales tax revenue
- Property is assessed at its Just Value, or fair Market Value
- Portland currently has a phase in for increases of assessment valuation
- Last assessment in Portland was conducted in 1991
- Portland also generates revenue from a real estate transfer tax of \$2.20 for each \$500, which is paid half by the grantor and half by the grantee

### **Boston, Massachusetts**

- Property assessment is conducted annually in Boston with a base date of January 1<sup>st</sup> each year using Market Value assessment
- Boats are also taxed at the rate \$10 per \$1000 of valuation for every vessel moored in Boston
- There are four classes of property taxes in Boston
  - Class 1- Residential
  - Class 2- Open Space
  - Class 3- Commercial
  - Class 4- Industrial
- Boston also has a motor vehicle excise tax which is based on the value of the motor vehicle according to the manufacturers' list price for the vehicle

- A rate of \$25 per thousand is applied to a portion of the assessed value
  - First year of manufacturing-90% of value
  - Second year- 60%
  - Third year- 40%
  - Fourth year- 25%
  - Fifth year, and every year after- 18%
- For the motor vehicle tax there is no consideration for financial hardship
- Proposition 2 ½ adopted by voters in the commonwealth of Mass. in 1980 is related to the total amount of property tax which a city or town can raise each year
- Proposition 2 ½ also reduces the motor vehicle excise tax and allows renters a deduction on their state income tax
- Tax levies cannot exceed 2 ½ % of the full cash value of all taxable property in the city or town, creating a tax ceiling
- A tax levy cannot increase from year to year by more than 2 ½ % with certain exceptions for new growth
- Property tax relief is offered for the blind, hardship, veterans, widows, and the elderly
- Property taxes are the city's largest revenue source
- There is also a 4% room occupancy rate that is collected by the commonwealth, and redistributed to local governments

### **Baltimore, Maryland**

- As part of a long term growth strategy, the city is moving to a five year plan to shrink Baltimore's property tax rate by 2% each year for a total of \$37 million over the five years
- Property tax revenue makes up 30.4% of total revenue for the city, income tax provides 10%
- Charges for services at 16% is the second largest revenue source
- The largest expenditure are on public safety and education
- The city has both a real estate and personal property tax
- There is a cap on homeowner's assessment increases of 4%
- The city's income tax rate for 2005 is 3.05
- The revenue derived from income tax is declining due to the loss of jobs and the stagnation of income growth
- There is also a decline in the number of income tax returns and total net taxable income
- Low interest rates has increased the volume of property sales, leading the city to impose a transfer tax to generate revenue
- The city also generates revenue through fees for building construction permits, false alarms, food dealer permits, and storage fees at city impoundment lots

- Property tax burden can be reduced through the homestead tax credit, the enterprise zone property tax credit, the newly constructed dwelling property tax credit, the Brownfield property tax credit, and the home improvement property tax credit
- Baltimore has also recently issued the highly controversial cell phone and technology tax of \$3.50 on cell phone and landlines.
- 160 local governments in California are also implementing cell phone fees, much to the dismay of consumers and cell phone providers
- The tax is very controversial due to the fact that the use of cell phone does not provide local government with any added costs

### **New York, New York**

- Local government in New York can levy sales and income taxes, as well as property taxes
- Property tax relief is offered through
  - Disabled homeowners exemption
  - Property rebate to offset property value increases
  - School tax relief for tax payers over 65
  - Senior Citizen Homeowner's exemption for tax payers 65 and over on a limited income
  - Veteran's exemption
  - Construction exemption
  - Government property exemptions
- In addition, the Industrial Development Agency provides tax exemptions to stimulate business expansion and increase employment for manufacturing industrial not-for-profit corporations
- There are 4 classes of properties in New York
  - Class 1- Residential 1-3 dwelling unit homes
  - Class 2- All other Residential property
  - Class 3- Utility property
  - Class 4- All other commercial property
- In 2005, tax rate for class 1 property is \$15.094 per \$100 of assessment
- In 2005, tax rate for class 4 property is \$11.55 per \$100 of assessment
- Total assessment value for property in 2005 has increased by 15.8% above 2004; 90% of this increase is from residential
- Taxing authority at the local level is shared by school districts, towns, counties, cities, and municipalities
- Market value is used for property assessment
- The city of New York experienced revenue problems after they shifted their tax system away from property taxes to the more revenue elastic sales and income taxes in the 1970's

## *Europe*

### *United Kingdom*

In the United Kingdom, property taxes account for 25% of local government revenue. Called the Council tax, the property tax replaced the hard to administer poll tax. In applying the Council tax, residential property is coded into classes A-H (I in Wales) according to the assumed capital value of the property (similar to market value). Each local authority sets the levy on band D property; all other band rates are expressed as a ratio of the band D rate. The central government has the power to cap the council tax if it feels that it is too high. 2005 was a revaluation year, the first since 1991. Tax bills that are based on the 2005 values will be issued in 2007. Due to the revaluation, 1/3 of properties will now be placed into a higher class than before; some will move up by as many as 4 classes. In Wales, a new band (I) had to be created to accommodate the rise in property values. The council tax is the only tax local governments are permitted to levy.

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<b>Band</b>	<b>Value</b>	<b>Ratio</b>
A	Up to £40,000	6/9
B	£40,001 to £52,000	7/9
C	£52,001 to £68,001	8/9
D	£68,001 to £88,001	9/9
E	£88,001 to £120,000	11/9
F	£120,001 to £160,000	13/9
G	£160,001 to £320,000	15/9
H	£320,001 and above	18/9

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<sup>3</sup> <http://www.local.communities.gov.uk/finance/ctax/ctaxvalappeal.pdf>

### ***Switzerland***

Like in Canada, local revenue power in Switzerland varies from state to state. General revenue sources permitted for local governments include required income and wealth tax, a capital gains tax, taxes on households, tax on real property, tax on transfers, dog tax, and entertainment tax. For the mandatory income and wealth tax, the state level government sets the graduated rates; however, each municipality is able to set the portion of the rate that it wishes to levy.

### ***Finland***

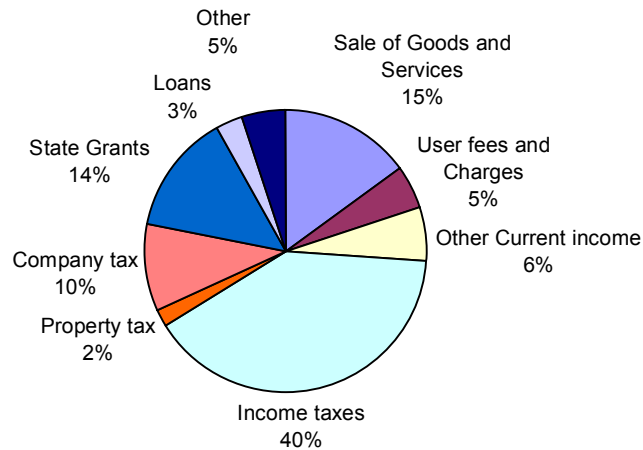
Finland's revenue sources for local governments are quite different from those in Canada. Local governments in Finland have the ability to levy income taxes, which is the predominant source of revenue. The average income tax rate was 18.0% in 2003, an increase from 17.5% in 1998. The increase in the income tax rates at the local level have national governments concerned with the dependency on the income tax for local revenue.

In addition to income tax, local government may also levy a company tax. The company tax rate is set by the national government, the revenue is collected at the national level, and a portion of the revenue is redistributed to local governments depending on the number of companies and the size of the workforce in their jurisdiction. The company tax is very elastic, and therefore is very sensitive to the ups and downs of the economy. For this reason there has been a shift away from the use of the company tax. The amount of the company tax that is redistributed to local governments has decreased from 40% to 20% over the last few years, and state governments have compensated for this decrease by increasing grants.

This shift away from company tax has been good for smaller cities, but not for the larger cities where the majority of companies are located. There has been an effort to find additional revenue sources for local governments, which has led to the introduction of a property tax. Local governments now have the power to levy property taxes except on agricultural or forestland property. Parliament limits the revenue by enforcing a maximum level. The property tax is especially beneficial to rural areas, as local governments have the ability to levy higher tax rates on a secondary residence (such as summer homes), which are mainly located in these areas. As a revenue source, the property tax is growing in importance in Finland; however, it still only counts as 2% of the total finance for municipalities.

Local governments in Finland also receive three types of state assistance: Transfers in the form of block grants designated for specific areas; compensation for revenue; and government grants. Government grants must be applied for annually. Finally, 26% of local government revenue is raised through selling services and user fees. The revenue gained through user fees may not exceed the cost of providing the service.

## Local government revenue sources for Finland



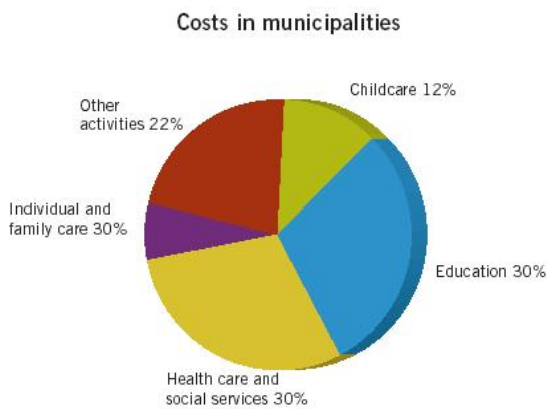
### *Sweden*

Local governments in Sweden are the main providers of public services. In Sweden, local authorities have the ability to tax income. The average income tax rate for local governments was 31.5% of earned income (21% for municipalities, and 10.5% for county councils). Income tax revenue is the main source of revenue for the local governments; the second largest being grants provided by state governments. Like the Canadian federal/provincial system, Sweden has an equalization system for local government to ensure that citizens receive equal quality services regardless of location.

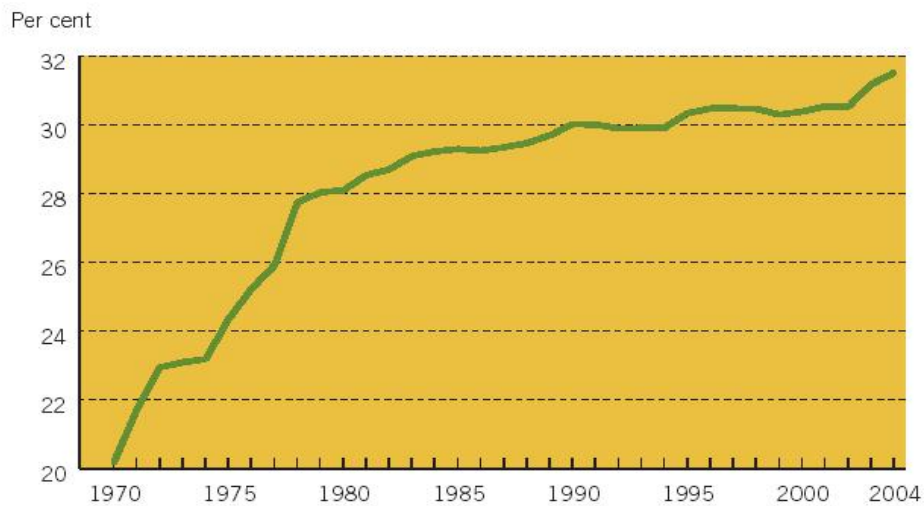
User fees for services such as health care, elder care, and childcare are also a large source of income for local governments; however, due to the restrictions placed on fees by state authorities, the use of user fees has been declining.

Municipalities are responsible for many social services; the main responsibility being education. Local governments provide almost all education, excluding university level; this includes preschool for children the age of one and over if both of the parents are employed. Municipalities are also responsible for environmental and public health services, urban planning, elder care, fire protection and emergency services, water and wastewaters services, solid waste services, energy supply, cultural and recreational programs, and maintenance of parks and roads.

Elder care accounts for the largest amount of municipal spending on services. The next level of local government above municipalities in Sweden is county councils, which are responsible mainly for social services such as health care, which accounts for 80% for their total spending. The transit system is a shared responsibility between municipalities and county councils. State authorities in Sweden have capped the revenue generated by local governments in the past. State level governments have also sanctioned increases in local government income tax rate by decreasing the amount of state grants. Despite the states' attempts to control local income taxes, in 2003 local government taxes increased by .63% of taxable income, the largest tax increase in 25 years.



**AVERAGE LOCAL GOVERNMENT TAX RATE, 1970-2004**





## *Australia and New Zealand*

### ***New Zealand***

New Zealand derives 57% of their revenue from land taxes. Each council has the ability to decide if properties are assessed on”

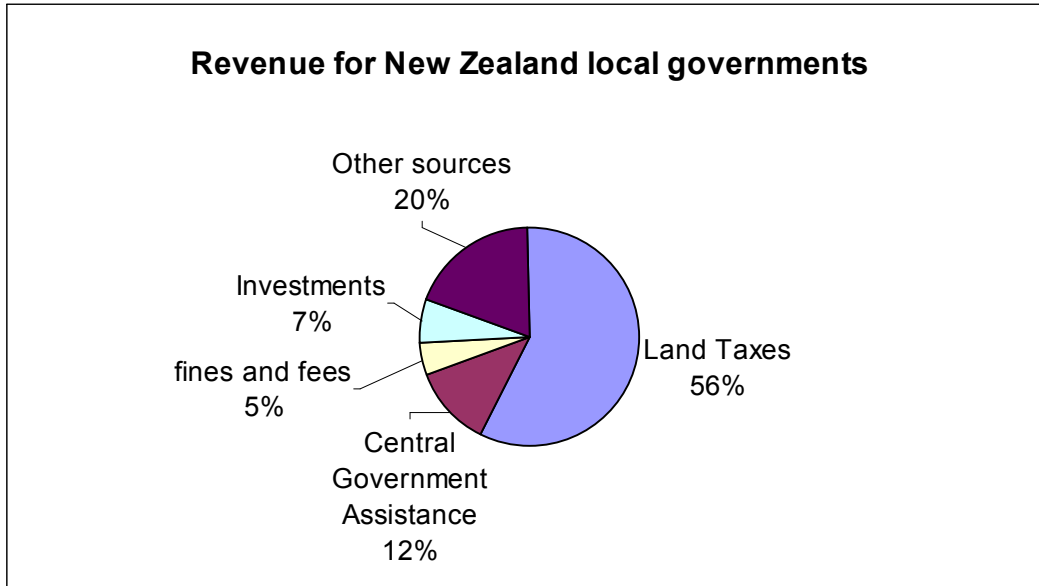
- Land value- “the sum that the owner's estate or interest in the land, if unencumbered by any mortgage or other charge, might be expected to realise at the time of valuation if (a) Offered for sale on such reasonable terms and conditions as a bona fide seller might be expected to impose; and (b) No improvements have been made on the land”.
- Capital value- “the sum that the owner's estate or interest in the land, if unencumbered by any mortgage or other charge, might be expected to realise at the time of valuation if offered for sale on such reasonable terms and conditions as a bona fide seller might be expected to require”; or
- Annual value- which is the amount the property would generate if rented in the open market.

Relief is offered for those who are unable to pay their taxes through applying for a reduction in their rates or a delay in the due date of the tax. There is also a subsidy for low-income homeowners based on the cost of the taxes. There are different ways in which local governments in New Zealand can generate property tax revenue. In addition to general tax rates, local governments can also use targeted rates to fund functions. Local governments can also levy uniform annual general charges that are fixed charges applied to every unit, yet they cannot derive more than 30% of its total revenue from the targeted rates and the uniform annual general charges combined. Water rates are also applied in some areas on water consumption. In addition to property taxes, local governments in New Zealand generate revenue from development taxes, petrol taxes, subsidies and grants from the central government, and other fees and charges.

In 1989, the structure of local government was drastically changed through amalgamation.<sup>4</sup>

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<sup>4</sup> [http://www.localcouncils.govt.nz/LGIP.nsf/wpg\\_URL/About-Local-Government-Local-Government-In-New-Zealand-Council-Funding?OpenDocument](http://www.localcouncils.govt.nz/LGIP.nsf/wpg_URL/About-Local-Government-Local-Government-In-New-Zealand-Council-Funding?OpenDocument)



### ***Australia***

Local governments in Australia have many of the same revenue sources as local governments in Canada; they rely heavily on property taxes, user fees, and government grants. In some areas, user charges, or fees, can contribute up to 1/3 of the local government's revenue. Government grants are also important, especially for rural local governments that can have as much as half of their revenue coming from grants and subsidies. The approach to property taxes, and the means for collecting the property tax, varies from state to state (see following table)<sup>5</sup>.

While the revenue options are quite similar, Australian local government are responsible for providing a different level of services than most in Canada. In Australia, local governments have taken on the responsibility of providing an increased amount of social services, including health care, social security, welfare, and housing.

Local governments in Australia are facing much of the same problem as those within Canada: their expected services are increasing, while their property tax revenues are not increasing at the same rate. Local governments in Australia have been shifting their dependence from the slow growing property tax to user charges. User charges now make up a substantially larger portion of local government revenue than ever before.

<sup>5</sup> All information on table collected from <http://www.alga.asn.au/policy/finance/austax/11.propertyrates.php>

<b>State</b>	<b>Type of Property Tax</b>	<b>Type of Property Valuation</b>
Western Australia	<ul style="list-style-type: none"> <li>-General property tax rate applied to land value</li> <li>-Service Charges set by council for specific services such as community security</li> </ul>	<ul style="list-style-type: none"> <li>-Gross Rental Value for urban land/buildings</li> <li>-Unimproved Value for rural land</li> </ul>
South Australia	<ul style="list-style-type: none"> <li>-Property tax rates levied on property owners and renters based on the value of property</li> <li>-Can set a minimum rate</li> <li>-Can have fixed charges applied to all properties plus a rate</li> <li>-Can have different classifications of land</li> <li>-Can have two-tiered rating</li> </ul>	
Queensland	<ul style="list-style-type: none"> <li>-Bases property tax rates on capacity to pay as determined by the unimproved value of the land</li> <li>-Can set a minimum rate</li> <li>-Can have different classifications of land</li> <li>-Special rates for specific services that one certain properties receive</li> <li>-Flat dollar rates for some services (such as roads in one area)</li> </ul>	Unimproved value of the land
New South Wales	<ul style="list-style-type: none"> <li>-Have different property classifications</li> <li>-Can apply minimum rates</li> <li>-Are subjected to a rate capping</li> </ul>	Unimproved value of the land
Victoria	<ul style="list-style-type: none"> <li>-General rate applied to property values</li> <li>-Garbage and municipal charges</li> </ul>	<ul style="list-style-type: none"> <li>-Capital improvement value (total market value of the land plus the improved value including the house, buildings, or other landscaping)</li> <li>-Site value (unimproved market value of the land)</li> <li>-Net annual value (annual rental value the property would render, less the landlord's expenses)</li> <li>-All are based on market movements and recent sales trends</li> </ul>
Tasmania	<ul style="list-style-type: none"> <li>- General tax rate levied on the owners' and renters' property value</li> <li>-Can set a minimum rate</li> <li>-Fixed charges that apply to all properties</li> <li>- Can have different classifications for land</li> <li>- Can have two-tiered rating</li> </ul>	