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Tax Reform Committee (TRC)
January 18, 2007

TO: Tax Reform Committee

SUBMITTED BY: _____
Cathie O'Toole, Acting Director of Finance

DATE: January 12, 2007

SUBJECT: Tax Reform Issues, Objectives and Scope

ORIGIN

On October 10th, 2006, the Terms of Reference of the project steering committee, the Tax Reform Committee (TRC), were approved by Regional Council. On December 12th, the TRC membership was approved.

RECOMMENDATION

It is recommended that :

1. the Tax Reform Committee review and confirm the key issues for the Tax Reform project as described in the Terms of Reference.
2. the Tax Reform Committee direct staff to prepare (a) project objectives and (b) project scope, reflecting the directions of Regional Council and the TRC.

BACKGROUND

Tax Reform has been discussed by Regional Council on a number of occasions. On October 3rd, 2006 Regional Council approved staff to proceed on Tax Reform at the “rebuilding foundations” level. The Terms of Reference for the TRC include a description of key issues. There is no formal description of project objectives.

DISCUSSION

Since property and business taxation provides 76% of all HRM revenues and touches all property owners in the municipality, the potential number of issues “linked” to taxation is virtually limitless. Nonetheless, the Tax Reform project cannot be effective, if it is stretched too thin over all possible issues. The Tax Reform project will need to clearly define the key issues to focus on, and the scope of the work to be carried out, that are most necessary and most fruitful.

The key issues leading to the Tax Reform project, as identified in the TRC terms of reference, are:

- Rapidly rising, uneven market values, unrelated to municipal services or income levels,
- Issues surrounding urban, suburban and rural taxation and services (eg tax boundaries),
- Resources being shifted to fund mandatory education,
- The need to encourage growth and development,
 - Stronger connection between the tax system and the Regional Plan
- Unclear philosophy/ long term objectives exist for the current tax system.
 - Limited sensitivity to ability to pay
 - Weak connection between taxes and services
 - Requirement for a competitive taxation regime

Success of the project is best measured against formal project objectives. To date, staff have used the following objectives for working purposes:

- (1) education on municipal taxation issues for the public and HRM
- (2) community agreement on the philosophy or outcomes of the municipal tax system,
- (3) making changes to achieve any agreed upon philosophy or outcomes including any legislative changes that may be necessary.

In part, because the Tax Reform project is at the “Rebuild Foundations” level, the scope will need to be well-defined and limits clearly set. For example, the Tax Reform project may not include funding issues such as budgets or changes in service levels, so whether services should be improved or expanded or reduced is generally not within the scope of the project. Similarly, Tax Reform takes a revenue neutral position. Although, tax reform will look at alternative forms of revenue and/or an alternative “tax base” to replace a market value property tax, the intent is not to find “new” revenues or to lower revenues overall, but rather to provide option(s) to “shift” revenues. Several key

questions that need to be clarified are which taxes/revenues are to be focused and the role of the commercial sector. While scope may be defined narrowly, there are many issues that may touch upon or impact that scope, such as fiscal imbalance. The scope of the project may evolve during the project and there may be many clarifications that need to be developed.

Also, staff have identified four elements for success of the project. First, there must be broad agreement on the outcomes of the tax system. Secondly, there must be a willingness to accept change. Third, there must be a search for innovative approaches to taxation. Lastly, there must be Council support and leadership of the project.

BUDGET IMPLICATIONS

There are no budget impacts.

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

ALTERNATIVES

The Tax Reform Committee may suggest a different approach to Council on the issues, objectives and scope of the work.

ATTACHMENTS

1. Council Report - Approach to Tax Reform, Oct. 3, 2007
2. Slide Presentation - Approach to Tax Reform, Aug. 8, 2007
3. Council Report - Tax Reform Committee Terms of Reference, Oct. 10, 2007

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Council Report Sign-Off Sheet

Subject:					
Meeting Date:		9 Regular Council	9 COW	9 In	
Camera		9 Information Report			
Prepared by:					

_____ Name & Business Unit				Date	
9	First Draft for Information Only		9 Consultation	9 Approval	
/	Stakeholder -Internal	Approved By	Date & Time	Revised Date	Initial
	Not Required (Issue unique to originating Business Unit)				
	By-Law Rationalization				
	EMS				
	Finance				
	Fire				
	H R				
	Legal				
	P & D				
	Police				
	TPWS				
	RPAM				
	RTC				
	Regional Planning				
	Shared				
	Library				
	RCMP				
	Water Commission				
	Councillor (s)				

	Stakeholder - External				
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