



P.O. Box 1749
Halifax, Nova Scotia
B3J 3A5 Canada

Item No. 9.1.1
Grants Committee
March 7, 2016

TO: Chair and Members of Grants Committee

Original signed

SUBMITTED BY: _____
Amanda Whitewood, Director of Finance & ICT/CFO

DATE: February 29, 2016

SUBJECT: Update on Non Profit Tax Relief

INFORMATION REPORT

ORIGIN

At the January 4, 2016 meeting of the Grants Committee, Council Walker requested an update on the status of the Tax Relief Program.

LEGISLATIVE AUTHORITY

Halifax Regional Municipality Charter (2008) s.79 (1) (av) the Council may expend money required by the Municipality for (av) a grant or contribution to

(v) any charitable, nursing, medical, athletic, educational, environmental, cultural, community, fraternal, recreational, religious, sporting or social organization within the Province,

(vii) a registered Canadian charitable organization.

Halifax Regional Municipality Charter (2008) s89 (1) The Council may, by policy, exempt from taxation, to the extent and under the conditions set out in the policy

- (a) property
 - (i) of a named registered Canadian charitable organization, and
 - (ii) that is used directly and solely for a charitable purpose;
- (b) property of a non-profit community, charitable, fraternal, educational, recreational, religious, cultural or sporting organization if, in the opinion of the Council, the organization provides a service that might otherwise be a responsibility of the Council;
- (c) the buildings, pump stations, deep well pumps, main transmission lines, distribution lines, meters and associated plant and equipment of a municipal water utility.

(2) The Council may, by policy, to the extent and under the conditions set out in the policy, provide that the tax payable with respect to all or part of the taxable commercial property of any non-profit community, charitable, fraternal, educational, recreational, religious, cultural or sporting organization

named in the policy be reduced to the tax that would otherwise be payable if the property were residential property, inclusive of area rates.

BACKGROUND

Halifax currently provides substantial tax relief to over 200 non-profits and charities that collectively own almost 600 properties. There are a wide variety of types and sizes of organizations ranging from very large non-profits to the very small. Many are engaged in social housing and support while others are cultural, sporting, or benevolent in nature. Under Administrative Order 2014-001-ADM Halifax provides a grant for tax relief to many non-profits:

- Residential applicants (such as social housing) would typically be taxed at the residential tax rates (eg \$1.213 per \$100 of assessment) but Halifax typically, lowers this by 100%, 75%, 50% or 25%.
- Commercial properties (food banks, social support, sports clubs, facilities etc...) are currently taxed as high as \$3.356 per \$100 of assessment. The municipality either lowers this to residential rates of \$1.213 or lowers it further with an additional reduction of 100%, 75%, 50% or 25%.

While Halifax's approach to tax relief is not substantially different from most other Canadian cities there are a number of issues, many of them legacy items from the former municipal units:

- First, it is confusing as there are multiple categories of tax relief with inconsistent criteria. This has created perceptions of unfairness and reputational risk to the organization.
- The program has become complex to administer with many manual calculations and delays in making awards.
- Those admitted to the program receive automatic renewal while others may be deferred or receive lower levels of assistance purely based on budget capacity in any given year. This has created a further sense of unfairness.

The Grants Committee and Staff have had numerous discussions on how to best reform the tax relief program and have developed working models intended to streamline and improve the program. However, there are outstanding challenges with the municipality's legal authority to provide tax relief under the *Halifax Regional Municipality Charter*.

DISCUSSION

Under Section 89 of the *Halifax Regional Municipality Charter*, the municipality may reduce or eliminate the property tax paid by registered charities. Non-profits that are not registered charities, however, face additional restrictions. The property tax paid by those organizations can only be reduced to zero "if the organization provides a service that might otherwise be a responsibility of the Council". If this is not the case then the property tax paid by such organizations may only be reduced to the equivalent of the residential tax rate.

The Grants Committee had considered an entirely new approach to providing tax relief that would potentially see three categories of tax relief:

- Affordable and Supportive Housing
- Homelessness
- Community Non-Profits

The intent of the new approach was to focus not on how much tax relief was provided, but rather how much final tax was paid. The intent was that tax relief was specifically not tied to the provision of services or outcomes but rather recognized the inability of non-profits to pay, especially where many are taxed at the higher commercial tax rates. This was accomplished through the use of a notional "non-profit tax rate", along with minimum and maximum tax rates. While this tax relief was intended to be provided as a grant under Section 79 of the Charter, it has been determined that it would still have to conform to the tax relief provisions under Section 89. Hence a notional tax rate and minimums and maximums would not be allowed. Non-profits that are not charities and not providing services that "might otherwise be a responsibility of the Council" would be ineligible to receive tax relief in excess of the Residential tax rate.

Under the current tax relief program (2014-001-ADM), non-profits that are not charities and not providing services that "might otherwise be a responsibility of the Council" would also be ineligible to receive tax relief in excess of the Residential tax rate. The Grants Committee has never reviewed recipients as to whether they provide services that would otherwise be a responsibility of Council. Hence, numerous non-charities that receive tax relief greater than the residential tax rate (Schedules 26, 27, 28 and 30 of the Administrative Order) may not be legally entitled to that tax relief.

Through the negotiations with the Province for amendments to the Halifax Regional Municipality Charter, staff are discussing legislative changes that allow greater flexibility in non-profit tax relief, both for the existing program and for any potential program changes.

FINANCIAL IMPLICATIONS

None.

COMMUNITY ENGAGEMENT

None.

ATTACHMENTS

None.

A copy of this report can be obtained online at <http://www.halifax.ca/commcoun/index.php> then choose the appropriate Community Council and meeting date, or by contacting the Office of the Municipal Clerk at 902.490.4210, or Fax 902.490.4208.

Report Prepared by: Bruce Fisher, Manager of Financial Policy and Planning, 902.490.4493

Original Signed

Report Approved by: _____
Bruce Fisher, Manager of Financial Policy and Planning, 902.490.4493
