

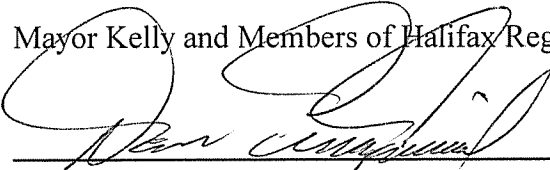
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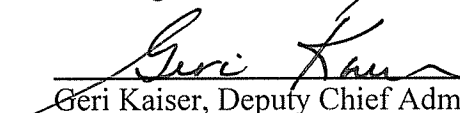


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Halifax Regional Council  
April 17, 2007

**TO:** Mayor Kelly and Members of Halifax Regional Council

**SUBMITTED BY:**   
Dan English, Chief Administrative Officer

  
Geri Kaiser, Deputy Chief Administrative Officer - Corporate Services and Strategy

**DATE:** April 5, 2007

**SUBJECT:** **Proposed Revisions to Residential Tax Exemption and Deferral Programs : Administrative Order 10 and By-law T-700**

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**ORIGIN**

This report originates with staff of HRM Financial Services in response to assessment value increases and tax "burden" on lower income homeowners in 2006-07 and 2007-08. This report proposes an increase in rebate values and income threshold in 2007-08 and the development of a method to index assistance starting next fiscal year (ie. implementation in 2008-09). If this report is approved by Regional Council, the income threshold for deferral of tax and local improvement charges would also be amended to a combined gross household income of >\$28,000.

**RECOMMENDATION**

It is recommended that:

1. Regional Council approve in principle the development of a formulaic approach to index property tax assistance for lower income homeowners under a revised Administrative Order 10 and By-law T-700 to commence April, 2008;
2. Regional Council approve revisions to schedule of property tax rebates as shown in Revised Table T on page 3 of this report, effective May, 2007, at an estimated cost increase of \$252,000;
3. Regional Council direct staff to prepare amendments to By-law T-700 to reflect an increase in the program's income eligibility threshold and proceed to a public hearing.

**BACKGROUND**

In May, 2005, Regional Council approved changes to the residential tax rebate and deferral programs to enhance assistance to lower income homeowners, especially those whose combined gross household income was <\$27,000. Rebate values were increased so as to reduce the cost of property tax as a percentage of income and reduce disparity as compared to the regional average of 2% (on average residential property tax represented 2% of gross income across HRM). The income threshold was increased by \$1,000 to \$27,000 and application was permitted to both a rebate and a deferral. The current Table T rebate values are included in **Attachment 1** of this report.

To increase the program's sensitivity to changing levels of property tax, staff recommend the program move to a more formulaic approach. This would allow HRM to adjust rebate values (up or down) automatically each year. Any applicable budget increase or decrease could then be incorporated into the annual budget deliberations in a proactive and timely manner. Staff recommend that such a program be developed in 2007-2008 for implementation next fiscal year.

**DISCUSSION**

Because the development of an indexed assistance program is expected to take several months to develop in consultation with the HRM Grants Committee and possibly the Tax Reform Committee, staff propose revisions to the existing program to provide an immediate response to tax increases.

**Proposed Changes:**

- The income threshold for both rebates and deferrals be increased by \$1,000 from \$27,000 to \$28,000.
- The value of rebates be increased based on an increase in the average tax billed to program participants (this is current practice but staff will evaluate this measure as compared with other options).
- The minimum tax payable is set at 1% of the average income within each income bracket (this is 50% of the 2% average for all households in HRM). This formula replaces the arbitrary values of \$100 and \$200 presently in effect.

**Formulas:**

- The **income thresholds** are calculated using the Low Income Cut-Off Scales (LICOS) developed by the Canadian Council on Social Development. HRM uses urban rates for a population >300,000 (the rural cut-off rate is significantly lower). The lowest income bracket (\$0-\$18,000) is the low income cut-off for a single person living in an urban community; \$28,000 is for an urban family household of 3 persons. The data used in Table T is from 2005 data and therefore have been rounded up<sup>1</sup>.

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<sup>1</sup> Data for 2006 is not expected until May, 2007, which is too late for this year's assistance program due to open in May, after tax bills have been mailed in April.

- **Rebate values** are calculated based on the average tax paid by program participants in the prior year. In 2006-07, the average tax paid by rebate recipients was approximately \$1,300<sup>2</sup>.
- Rebate values align with household income and a sliding scale as a % of the average tax bill. So, the lowest income bracket would be 50% of the average and each income bracket thereafter decreases by 10% as shown in the proposed “Proposed Revised Table T”.
- 50% of the average tax (\$650) is the value of rebate awarded to the lowest income bracket (<\$18,000) and the average tax range (\$1,001-\$2,000 per year). This figure is shown in bold in the Table T below.
- The minimum payable tax is calculated as 1% of the mid-range of the income bracket.
- Implement Revised Table T in 2007-2008 as an interim measure while staff develop a fully indexed assistance program for implementation in 2008.

<b>Proposed Revised Table T: Household Income, Property Tax, and Rebate Value for 2007-2008</b>					
	<b>Gross Household Income</b>				
<b>Maximum Rebate Value</b>	<b>\$0-\$18,000</b>	<b>\$18,001-\$20,500</b>	<b>\$20,501-\$23,000</b>	<b>\$23,001-\$25,500</b>	<b>\$25,501-\$28,000</b>
<b>% of Av. Tax</b>	50%	40%	30%	20%	10%
<b>&lt;\$1,000</b>	\$550	\$440	\$330	\$220	\$110
<b>\$1,001-\$2,000</b>	<b>\$650</b>	\$520	\$390	\$260	\$130
<b>&gt;\$2,000</b>	\$750	\$600	\$450	\$300	\$150
	<b>Minimum Tax Payable</b>				
<b>1% of Av. Income</b>	<b>\$10,000</b>	<b>\$20,000</b>	<b>\$22,500</b>	<b>\$25,000</b>	<b>\$27,500</b>
	\$100	\$200	\$225	\$250	\$275
All applicants have the option to defer the balance of tax due or make payment using a monthly payment plan.					

**BUDGET IMPLICATIONS**

The 2006-07 program budget was \$1,074,000. Based on an estimate of 2,940 rebate clients for 2007-08 (114 of whom result from the expanded eligible income range) with an average rebate of \$451 each, the required budget is estimated to be \$1,326,000. This figure represents an increase of \$252,000 over the 2006-07 budget allocation. Funding is held in Fiscal Services, subject to approval of the 2007/08 budget.

<sup>2</sup> Staff will pursue other options such as tax as a % of household income, cost of living index and average change in residential tax burden in the development of an indexed program.

**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**

1. Regional Council could elect to maintain the status quo.

This action is not recommended: The rebate values and income threshold, set in May 2005, were not revised in 2006-07. The proposed revised rebate values increase by approximately 8.3% to reflect two (2) years of tax increases.

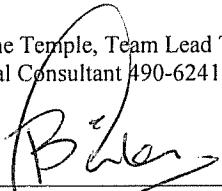
2. Regional Council might choose a partial amendment to the program ie. increase the income threshold but maintain current rebate values, or increase rebate values and maintain the current income cut-off.


**ATTACHMENTS**

1. Table T Household Income, Property Tax, and Rebate Levels 2006-07 Program.

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

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Report Approved by:   
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Report Approved by:   
Cathie O'Toole, A/Director of Finance

Attachment 1

<b>Table T. Household Income, Property Tax and Rebate Values: 2006-2007</b>						
	<b>Household Income before Income Tax</b>					
	<b>\$0-\$17,000</b>	<b>\$17,001-\$19,000</b>	<b>\$19,001-\$21,000</b>	<b>\$21,001-\$23,000</b>	<b>\$23,001-\$25,000</b>	<b>\$25,001-\$27,000</b>
<b>Tax &lt;\$1,000</b>	\$500	\$400	\$300	\$250	\$150	\$50
<b>Tax \$1,001-\$2,000</b>	\$600	\$500	\$400	\$300	\$200	\$100
<b>Tax &gt;\$2,000</b>	\$700	\$600	\$500	\$350	\$250	\$150
<b>Minimum Payable</b>	\$100	\$200	\$200	\$200	\$200	\$200
<b>Option</b>	Applicant can defer all or a portion of the balance of taxes. A modest interest rate will be charged on the deferred amount. The annual interest rate is set by Regional Council.					