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Item No. 5

Halifax Regional Council
April 22, 2008

TO: Mayor Kelly and Members of Halifax Regional Council
(Original signed)

SUBMITTED BY: _____
Dale MacLennan CA, Director of Finance

DATE: March 27, 2008

SUBJECT: Residential Tax Exemption: Revised Rebate Values for 2008-2009

INFORMATION REPORT

ORIGIN

In December, 2007, Regional Council approved indexing the *Residential Tax Exemption Program* (Administrative Order10). This report highlights the changes to the program in 2008-2009.

BACKGROUND

Using the formulas approved in 2007 (See: Regional Council Report dated November 20, 2007) the following are the major changes for 2008:

1. In 2008-09 the lowest income bracket increases from \$18,000 to **\$19,000**.

The low-income cut-off scale for a 1-person family has increased to \$18,260; when rounded up to the nearest \$1,000 this increases the lowest income bracket from \$18,000 to \$19,000.

2. The upper income eligibility threshold remains un-changed at \$28,000.

The low-income cut-off scale for a 3-person household has increased to \$27,945; when rounded up to the nearest \$1,000 there is no change to the eligibility threshold.

3. In 2008-09, the “reference rebate” will increase from \$650 to **\$700**.

The “reference rebate”, calculated as 1/3rd of the average regional residential property tax in the prior year (2007), is the maximum “rebate” payable to those in the lowest income range and middle property tax bracket.

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4. Property tax brackets have increased by \$100.

Overall, it is estimated that the average rebate will increase by \$45 per household, due primarily to the increased assessment values which will move some households into a higher property tax bracket and correspondingly higher rebates.

DISCUSSION

The ‘new’ Table T for 2008-09 is shown below. In summary, the rebates are calculated as follows:

- The maximum rebates in the first column (lowest income range) are \$100 higher and lower, than the reference rebate of \$700, for the higher and lower tax payable rows;
- The rebates in each row are 100%, 80%, 60%, 40% and 20% of the maximum rebates, as the income ranges increase from left to right.

For comparison, the 2007-08 Table T is included in this report as **Attachment 1**.

Table ‘T’ Household Income, Property Tax, Rebate Value and Minimum Payable New Values for 2008-2009					
	Gross Household Income (before deductions)				
Tax Payable	\$0 - \$19,000	\$19,001- \$21, 250	\$21,251 - \$23,500	\$23,501 - \$25,750	\$25,751 - \$28,000
<\$1,100	\$600	\$480	\$360	\$240	\$120
\$1,101 - \$2,100	\$700	\$560	\$420	\$280	\$140
>\$2,101	\$800	\$640	\$480	\$320	\$160
	Minimum Tax Payable (deducted from rebate)				
	\$100	\$200	\$220	\$250	\$270
All eligible applicants have the option to defer the balance of tax due (less the minimum payable) or making payment through a monthly payment plan.					

Note: Program participation has decreased from a high of 2,800 recipients in 2005-06 to less than 2,400 in 2007-08, despite the increase of the eligibility threshold from \$27,000 to \$28,000 in household income.

BUDGET IMPLICATIONS

The budget for M311-8005 in 2007-08 was \$1,074,000. Based on an estimated 10% increase in average rebates, from \$444 to \$489 per eligible household, the indexing the program for 2008-09 will require a budget increase of \$107,400. Because the eligibility threshold is not changing from \$28,000, no provision is being made for an increase in number program participants. Based on the estimated average rebate/household in 2008-09, the budget will provide funding for 2,416 approved applicants.

While the eligibility threshold remains unchanged at \$28,000, there remains a budget risk from a potential increase in participation due to: (a) general awareness of the program, especially in light of the profile generated through the Tax Reform Project debate, and (b) the extended application deadline to March 31st.

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As always, program staff will monitor the program participation and budget demand throughout the year.

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

Not applicable. This is an Information Report only based on the current Residential Tax Exemption Program policy and procedures.

ATTACHMENTS

1. Table T. Household Income, Property Tax, Rebate Value and Minimum Payable, 2007-08.

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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Attachment 1.

Table 'T' Household Income, Property Tax, Rebate Value and Minimum Payable 2007-2008					
	Gross Household Income (before deductions)				
Tax Payable	\$0 - \$18,000	\$18,001- \$20, 500	\$20,501 - \$23,000	\$23,001 - \$25,500	\$25,501 - \$28,000
<\$1,000	\$550	\$440	\$330	\$220	\$110
\$1,001 - \$2,000	\$650	\$520	\$390	\$260	\$130
>\$2,001	\$750	\$600	\$450	\$300	\$150
	Minimum Tax Payable (deducted from rebate)				
	\$100	\$200	\$225	\$250	\$275
All eligible applicants have the option to defer the balance of tax due (less the minimum payable) or making payment through a monthly payment plan.					