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Halifax Regional Council

May 3, 2005

*May 17, 2005*  
*May 24, 2005*

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

**SUBMITTED BY:**

*Russell Walker*

Councillor Russell Walker, Chair, HRM Grants Committee

**DATE:** April 25, 2005

**SUBJECT:** **Administrative Order 10: Property Tax Exemption for Residential Homeowners - Revisions to Program Criteria and Level of Assistance**

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#### ORIGIN

This report originates with staff of HRM Financial Services. It provides for additional low income tax relief as discussed during the 2005-06 budget debate. Presently, HRM provides discretionary assistance to lower income residential homeowners under the authority of Administrative Order 10. Staff recommend changes to the program's exemption levels, income ceiling, and eligibility criteria so as to provide an increased level of assistance to lower income homeowners while protecting the integrity of the program. If approved by Regional Council, the revised program would be implemented effective April 1, 2005. This report was approved by the HRM Grants Committee March 21st, 2005.

#### RECOMMENDATIONS

HRM Grants Committee recommends that Regional Council:

1. Approve the proposed amendments to Administrative Order 10 as detailed in the Discussion section of this report, for implementation effective April 1st, 2005.

## **BACKGROUND**

The discretionary provision of property tax exemptions for low income property owners was a practice of the former municipalities. At amalgamation a standardized program was created in terms of eligibility criteria and exemption level under Administrative Order 10. In the opinion of staff the program requires substantive revisions so as to provide an enhanced level of assistance in response to exceptional market-driven assessment values, targeted criteria, and the development of detailed policy and procedures. The present exemption levels (**See: Attachment 1. Current Program**) are arbitrary and are not a function of an objective measure of capacity to pay (income, equity), hardship (% increase in tax), or HRM's service priorities and financial capacity.

Staff have developed recommended revisions to Administrative Order 10 to address such concerns within a risk management framework and in accordance with the following program principles:

- Municipal assistance shall target individuals and families with combined household incomes at the lower income range;
- Public assistance shall recognize personal responsibility in making affordable housing choices while also acknowledging that some residents face barriers to equitable participation in the economy;
- The integrity of the program shall be protected through the development and evaluation of program policy and procedures, and objective outcome measures;
- The cost of public assistance shall be monitored and adjusted annually within HRM's financial capacity.

A separate report has been circulated "*Residential Property Tax Assistance Programs for Lower Income Homeowners in HRM*" (2005) with details on program participation.

## **DISCUSSION**

### **1. Increase the income eligibility threshold to \$27,000.**

This threshold is set according to the Canadian Council on Social Development "Low Income Cut-Off Scales" and is rounded up to the nearest thousand. Staff have used an urban population <500,000 and a rate for up to 3 persons.

### **2. Allow application to more than one assistance program in accordance with each program's eligibility criteria.**

Presently, there is no formal policy restricting application to more than one program but it has been practice to limit eligibility to either a "rebate" or a deferral, but not both. In the opinion of staff, the partial exemption ("rebate") is a form of entitlement program in the sense that eligibility is according to a formula - there is no subjective evaluation of relative merit. For some homeowners the value of a rebate is not sufficient assistance and a deferral may be the only means of avoiding interest charges on arrears or tax sale proceedings. In such cases, the only practical option has been to defer all taxes but in doing so the homeowner has been denied a partial public subsidy (no rebate).

**3. Eligibility be restricted to the registered titleholder(s) of the property as documented through the Nova Scotia Registry of Deeds.**

Presently, the program is designed to make the beneficiary and the owner one and the same. But, the program does not require that the applicant be the registered titleholder; this has resulted in an ability to transfer title to a business entity or trustee without registration resulting in a tax account in the name of a business. Also, because the current proof of income requirement is limited to personal income tax returns we are unable to assess if the gross income is a function of business deductions, including a proportional share of property tax as a business-related expense.

The applicant shall be the **registered title-holder** named on the property deed at the Nova Scotia Registry of Deeds, unless:

- the resident has a living interest;
- the resident has adverse possession;
- the party in receipt of the tax bill has legally recognized power of attorney

Ineligible applicants shall include:

- a trustee in bankruptcy
- a corporation or company (other than a registered Canadian charity)

The *Municipal Government Act* (1996) clearly states that the municipality shall not provide a direct tax subsidy to business, industry or commerce. Any calculation of tax is limited to the Residential portion of the assessment and excludes Commercial or Resource holdings. The program does, however, recognize the category of "Resource with Dwelling".

**4. If title to the property is not in the name of the applicant other standards of eligibility shall apply:**

Where the registered title-holder is a legally recognized **trustee, guardian or executor**, excluding a corporation or company, who is not the beneficiary of ownership and makes application on behalf of the resident(s) the applicant shall be required to submit proof of advocate status and the income tax documentation (if applicable) for the beneficiary.

Advocate status may include a government appointed social worker, court appointed lawyer, probationary officer, or power of attorney.

Where the registered title-holder named on the property deed at the Nova Scotia Registry of Deeds is **self-employed** the applicant shall be required to submit the relevant income tax documentation including any accompanying business information.

**5. The program be revised to target a higher level of public assistance to the lowest income range ie. \$0 to \$17,000 combined gross household income.**

- Increase the maximum "rebate" value to \$600 for the income range \$0 to \$17,000.

*Rationale: The value of \$600 is 50% of the average residential property tax of current program users:  
~ \$1,200.*

6. The value of rebate for incomes in the \$17,001 to \$27,000 range be set on sliding scale; in decreasing increments of \$100 for every \$2,000 increase in income.

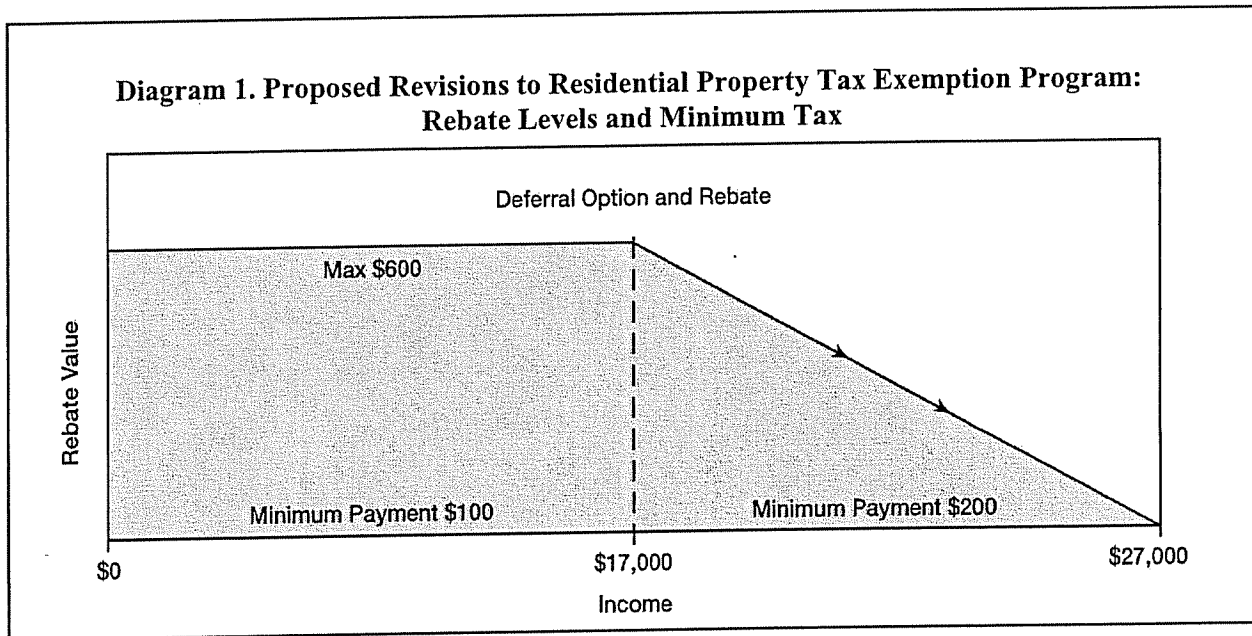
- The value of rebate would range from \$500 to \$100. See: Attachment 1. Proposed Revised Table T.

*Rationale: The value of the rebate is set using a standardized formula.*

**Note:** It is estimated that the new scales, when applied to existing program clients, would result in a decrease in rebate value for ~10% of customers (approx. 260 households with the value of rebate loss ranging from \$25 to \$200), an increase in rebate value for ~84% of households, and ~6% no significant change.

The decrease in rebate value for higher income households can be offset fully using the deferral program option, in addition to a rebate. However, if taking both a rebate and a deferral, the deferred amount would be subject to interest.

See: Attachment 1. Current Program Eligibility for comparison between the current and revised program.



7. Set the minimum tax payable requirement for combined gross household income in the lowest income range \$0 to \$17,000 at \$100.

Presently, the minimum tax payable requirement is \$200, except for households with gross combined household income under \$5,000 who are required to pay \$100. If approved, the minimum payable of \$100 would be extended to include incomes <\$17,000.

*Rationale: a minimum tax payable supports the principle of cost-sharing the provision of municipal services.*

8. Set the minimum tax payable requirement for combined gross household income in the range \$17,001 to \$27,000 at \$200.

**9. Add information to the application form regarding what types of income are excluded in calculating an applicant's income eligibility.**

The calculation of combined gross household income shall exclude:

- War Veteran's Allowance (Chapter W-3, Section 7)
- Child Tax Credit
- GST or HST Rebate
- Pensions paid to Armed Forces personnel under the Pensions Act (Canada), Chapter P-6, Sub-section 1-12

*Rationale: These forms of income are excluded by Canada Customs and Revenue Agency for personal income tax and the Municipal Government Act (1996), Section IV, 69 (1). See: Attachment 2. Income Excluded from Calculation of Rebate.*

**10. Applicants shall be notified that income includes out-of-province and out-of-country earnings.**

**11. Invoke the set-off clause in cases where an applicant is entitled to a credit or rebate but is in arrears to the municipality.**

Where the customer has a credit (rebate or over-payment after a rebate) the rebate shall be applied to any arrears in accordance with Section 131 of the Municipal Government Act (1996).

*Rationale: the person is in arrears with no agreement to postpone payment. While they qualify for a rebate (not disqualified due to debt) the rebate is applied to arrears, including local improvement charges, false alarms, fines etc. The credit shall be posted as payment against a non-liable charge first, then a liable charge.*

Where the customer has an outstanding amount of tax deferred the customer may receive the rebate, carry a credit on their account, or apply the rebate to the deferral.

*Rationale: the person has qualified for a deferral in accordance with the terms and conditions of the program; in effect HRM has agreed not to collect. Issuing a refund is either (a) a form of over-payment such as pre-paid through a mortgage, or (b) acknowledges they qualify for a rebate.*

**12. Add reporting requirements to the application form to gather demographic information.**

Collecting demographic data will help staff understand the program's target population. Information gathered would include, for example, age, number of persons in household, or use of provincial seniors tax rebate program.

The revised application form shall be approved by the HRM Grants Committee and staff in accordance with the freedom of information and protection of privacy provisions in the Municipal Government Act (1996).

### **BUDGET IMPLICATIONS**

The budget for the *Residential Tax Exemption Program* in 2004-05 was \$694,000. The proposed increase in value of assistance recommended in this report is projected to cost an additional \$415,000 if program participation rates remain the same (ie. 2,500 households). The cost will increase with program participation rates. Funds are available in Fiscal Services to cover the increased cost of the program up to \$500,000.

Staff anticipate an increase in program uptake in 2005-06 as a result of:

- Increased property assessment values;
- An annual trend that shows increased participation (for example, the program increased from 2,300 to 2,500 households in 2004-05, an increase of ~9% in one year).
- Publicity regarding the HRM budget, tax rates and assessment rates, and proposed revisions.

There are also additional administrative costs in revisions to the customized database, printing, postage, advertising and labour. These will be covered through the Financial Services Budget.

### **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 other relevant legislation.

### **ALTERNATIVES**

1. Regional Council could direct staff to maintain the present income threshold (\$26,000) and increase the exemption levels.

This action is not recommended: the program's income threshold is meant to reflect national low-income cut-off levels (the "poverty line"). This value is rounded up to the nearest thousand dollars. Current rebate values are arbitrary and do not provide an objective measure of assistance relative to the average tax (~\$1,200/yr) of program users.

2. Regional Council could defeat the recommended changes to Administrative Order 10 and continue the program in its current format.

This action is not recommended: a significant increase in assessment values has resulted in substantial tax increases for some residents living on fixed incomes.

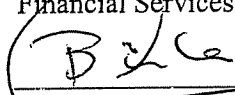
ATTACHMENTS

1. Current Residential Tax Exemption Criteria and Rebate Levels and Proposed Revised Table T.
2. Income Excluded from Calculation for Rebate.
3. Distribution of Income for Residential Tax Exemption Program (2003-04)
4. Revised Administrative Order 10

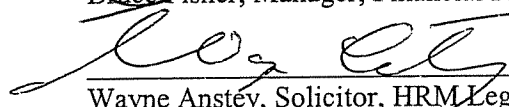
Additional copies of this report, and information on its status, can be obtained by contacting the Office of the Municipal Clerk at 490-4210 or fax 490-4208.

Report Prepared By: Peta-Jane Temple, Team Leader Tax, Grants & Special Projects, HRM  
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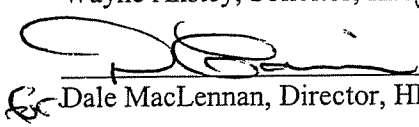
Approved By:



Bruce Fisher, Manager, Financial Planning, HRM Financial Services



Wayne Anstey, Solicitor, HRM Legal Services



for Dale MacLennan, Director, HRM Financial Services

**Attachment 1.**

**Current Program Eligibility Criteria and Rebate Levels**

Presently, the key criteria used to determine eligibility and the value of assistance are:

The property shall be the applicant's principle place of residence ("home") and not a second home, cottage, income property or land-holding. The applicant must reside on the property.

Residence is not limited to a detached house and includes a condominium, mobile home, duplex, or a structure deemed by Nova Scotia Assessment Services as a "dwelling".

Only that portion of the assessment deemed Residential, or Resource with Dwelling, is used to calculate the portion of the property tax eligible for partial exemption. Commercial and Resource assessments are ineligible for public subsidy.

Proof of gross combined household income for the prior year (Revenue Canada statement of income).

Living interest and adverse possession are recognized.

<b>Current Table T. Household Income, Property Tax, and Rebate Levels</b>				
	<b>Gross Household Income</b>			
<b>Residential Tax</b>	<b>\$0-\$10,000</b>	<b>\$10,001-\$15,000</b>	<b>\$15,001-\$20,000</b>	<b>\$20,01-\$26,000</b>
<b>Tax &lt;\$1,000</b>	\$350	\$300	\$250	\$200
<b>Tax \$1,001-\$2,000</b>	\$400	\$350	\$300	\$250
<b>Tax &gt;\$2,000</b>	\$450	\$400	\$350	\$300
Minimum tax payable: \$100 for income <\$5,000 and \$200 for income \$5,001-\$26,000				

<b>Proposed Revised Table T. Household Income and Rebate Levels</b>						
	<b>Gross Household Income</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>Maximum Rebate</b>	\$600	\$500	\$400	\$300	\$200	\$100
<b>Minimum Tax Payable</b>	\$100	\$200	\$200	\$200	\$200	\$200
<b>New Option Deferral</b>	Applicant can opt to apply for both a rebate <u>and</u> a deferral of the balance. A modest interest rate, set by Regional Council, is charged on the deferred amount. An interest rate of 0% be applied to 2005-2006.					



## **Attachment 2.**

### **Income Excluded from Calculation for Rebate.**

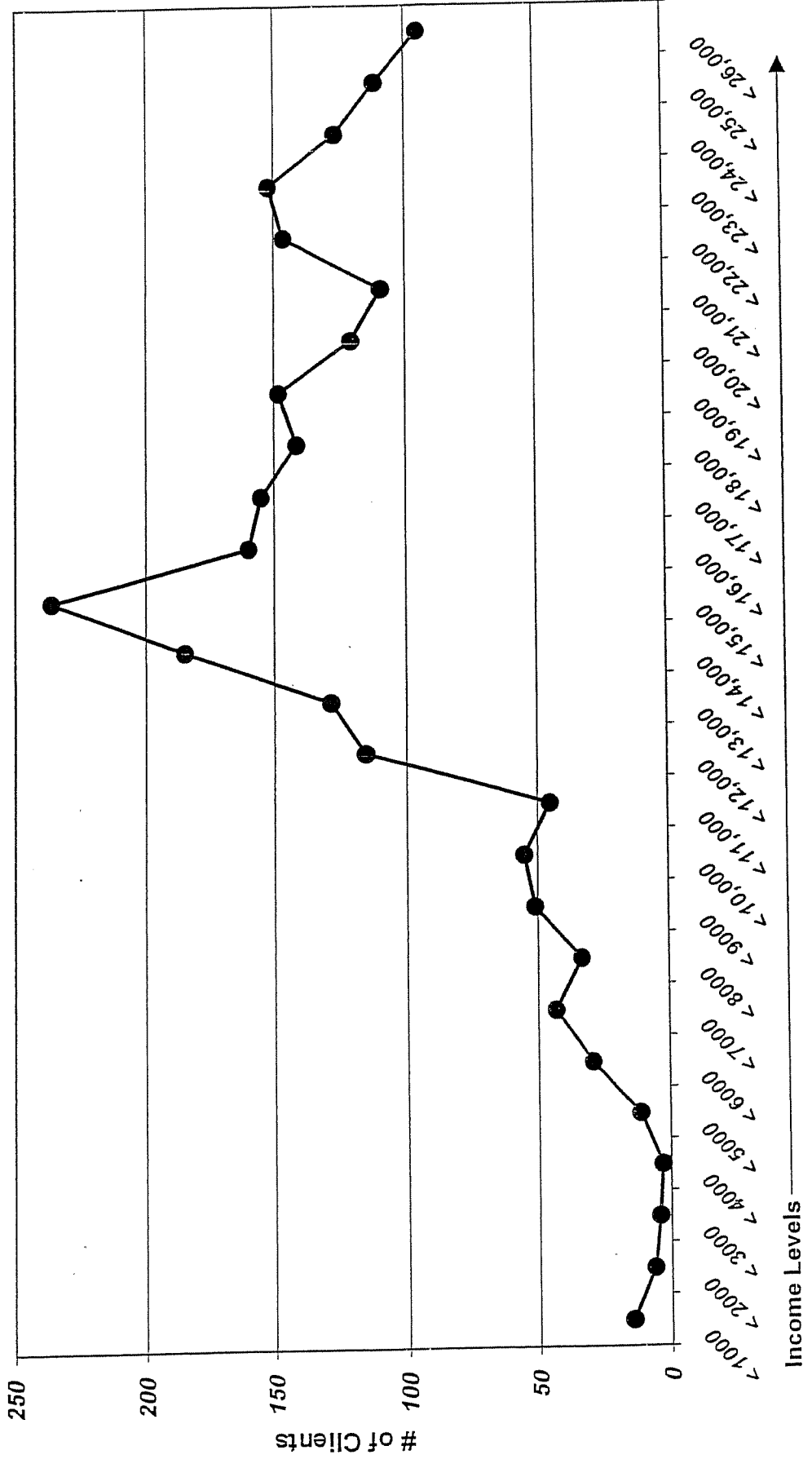
Current practice already excludes War Veteran's Allowance, GST rebate and Child Tax Credit.

Section IV, 69 (1) excludes the War Veteran's Act (Canada) and pensions paid under the Pensions Act (Canada) in calculating "income" for the purpose of tax exemption. The proposed change to Administrative Order 10 would create consistency between the municipal program and legislation.

*GST Rebate:* the GST rebate is paid to individuals (<\$33,000), couples (<\$35,000) and families of up to 4 persons (<\$43,000). These income cut-offs are higher than HRM's assistance program threshold of <\$26,000 but are excluded by Revenue Canada in calculating income tax and rebates issued by the federal government ".....tend to be modest".

*Child Tax Credit:* Federal and Provincial Child Tax Benefits target low income families of up to 4 persons (<\$43,000) and single parents (<\$26,000). Although the upper income range exceeds HRM's program income threshold (<\$26,000), most applicants to these programs are single, disabled, social assistance recipients, or low income families of less than 4 persons.

# of Residential Tax Exemption Clients (2003-04)  
by \$1,000 Income Brackets



## ADMINISTRATIVE ORDER 10

### RESPECTING PARTIAL TAX EXEMPTION FOR RESIDENTIAL TAXATION

**BE IT RESOLVED** as an Administrative Order of the Council of the Halifax Regional Municipality as follows:

#### SHORT TITLE:

1. This Administrative Order shall be cited as Administrative Order Number Ten, the Partial Tax Exemption Administrative Order.

#### DEFINITIONS:

2. In this Administrative Order

(a) "income" includes wages, salaries, emoluments, gratuities and honorariums arising from employment; fees, earnings and profits from any profession, trade, business or calling after deducting the expenses of earning the same; interest and dividends received directly or indirectly from shares, stocks, bonds, debentures, deposits, mortgages, agreements for sale, estates, loans and other investments; pensions, annuities, retiring allowance, compensation and similar income from any person, business, estate, insurance or other company, government or government agency wherever earned and includes

- (i) all world income for deemed residents and for non-residents working outside of Canada; and
- (ii) any owner withdrawals from a self-employed applicant;

but does not include:

- (i) an allowance paid pursuant to the War Veteran's Allowance Act (Canada)
  - (ii) a child tax benefit;
  - (iii) a GST or HST rebate;
  - (iv) an oil rebate;
  - (v) a pension paid to armed forces personnel pursuant to the Pensions Act (Canada).
- (b) "deferral" means any portion of the residential and resource property taxes, local improvement charges or trunk sewer charges levied against a property, payment of which is deferred pursuant to Halifax Regional Municipality By-Law T-300, the Tax Deferral By-Law;

- (c) "exemption" means the amount by which taxes levied on a residential property are reduced pursuant to this Administrative Order;
- (d) "owner" means a registered title-holder named on the property deed at the Nova Scotia Registry of Deeds, and includes
  - (i) a part owner, joint owner, tenant in common or joint tenant of the property;
  - (ii) in the case of the absence or incapacity of the person having title to the property, a trustee, an executor, a guardian, an agent, an heir, or next of kin;
  - (iii) a person having the care or control of the property through adverse possession; or
  - (iv) a person with a life interest in the propertybut shall not include
  - (i) a trustee in bankruptcy; or
  - (ii) a corporation (other than a registered Canadian Charity).
- (e) "residential property" shall be the building in which the owner or owners reside and that portion of land assessed as residential or resource with a dwelling under the Assessment Act of Nova Scotia (1989), provided that in the case of property assessed under two or more assessment categories, any partial property tax exemption shall be calculated on the residential assessment or resource with dwelling portion only, and property or land assessed as commercial, farmland, resource, forest, residential farmland, or residential forest shall not be deemed to be residential property.

**EXEMPTION:**

- 3. (a) A person may apply in writing to the Treasurer of the Municipality for exemption from the payment of taxes rated by the Municipality upon residential property within the Municipality for the year in which application is made, pursuant to Section 4 and such exemptions shall be allowed if the person or persons meet the following criteria;
  - (i) the property is assessed to the applicant;
  - (ii) the applicant is the owner of the property and uses it for his or her own principle residence;
  - (iii) the applicant's income together with the income of a spouse or other members of the household over the age of 18 does not exceed \$27,000 for the calendar year in which application is made.

- (b) An exemption will not be granted in respect of a second home, cottage or a rental unit of the applicant or a residential unit used solely to run a business.
- (c) If the applicant is a legally recognized trustee, guardian or executor who is not the beneficial owner, but is making application on behalf of the resident(s), the applicant will be required to submit proof of their status and proof of income of the beneficiary pursuant to Section 5.

**AMOUNT OF EXEMPTION:**

- 4. (a) When the income of the person, spouse and other household members over the age of 18 combined is
  - (i) not more than \$17,000 and the tax billed exceeds \$100 for the year the exemption granted shall not exceed \$600.
  - (ii) between \$17,001 and \$19,000 and the tax billed exceeds \$200 for the year the exemption granted shall not exceed \$500.
  - (iii) between \$19,001 and \$21,000 and the tax billed exceeds \$200 for the year the exemption granted shall not exceed \$400.
  - (iv) between \$21,001 and \$23,000 and the tax billed exceeds \$200 for the year the exemption granted shall not exceed \$300.
  - (v) between \$23,001 and \$25,000 and the tax billed exceeds \$200 for the year the exemption granted shall not exceed \$200.
  - (vi) between \$25,001 and \$27,000 and the tax billed exceeds \$200 for the year the exemption granted shall not exceed \$100.
- (b) Tax exemptions granted pursuant to clause (i) of sub-section (a) shall not reduce the tax payable on a property in the year of the application to less than \$100 and tax exemptions granted pursuant to clauses (ii) to (vi) of sub-section (a) shall not reduce the tax payable on a property in the year of the application to less than \$200.

**APPLICATION FORM:**

- 5. All applications made to the Treasurer on the application form prescribed by the Treasurer shall contain proof to the satisfaction of the Treasurer that the application has met the conditions required to be granted an exemption, including proof of income for the prior year from Canada Customs and Revenue Agency and any required income tax returns, forms and documents including any relevant corporate or business information.

**DEADLINE FOR APPLICATION:**

1. An application for exemption for a fiscal year shall be submitted by December 31<sup>st</sup> of that fiscal year and no application shall be made for a retro-active exemption.

**EXEMPTION AND DEFERRAL ALLOWED:**

2. Nothing in this Administrative Order prohibits an applicant from being granted an exemption pursuant to this Administrative Order as well as a deferral pursuant to By-Law T-300 and subject to the terms and conditions therein in respect of the same fiscal period.

**REPEAL:**

3. Administrative Order Number Ten dated the 18<sup>th</sup> day of December, 2001 and any amendments thereto is hereby repealed.

Done and passed in Council this xx day of xx, 2005.

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**MAYOR**

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**MUNICIPAL CLERK**