

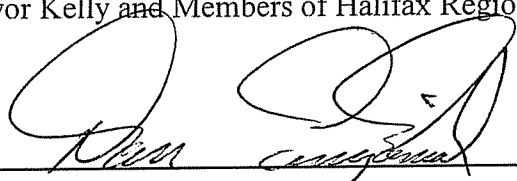
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**Halifax Regional Council**  
**July 5, 2005**

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

**SUBMITTED BY:**   
\_\_\_\_\_  
Dan English, Acting Chief Administrative Officer

**DATE:** June 30, 2005

**SUBJECT:** 2005 Temporary Tax Credit Policy

**ORIGIN**

During the 2005-06 Budget deliberations, Regional Council approved a recommendation to provide tax relief to residential property owners in the form of a temporary tax credit. Staff have developed a policy to administer the tax credit for the 2005-06 fiscal year.

**RECOMMENDATION**

It is recommended that Council approve Administrative Order 36, 2005 Temporary Tax Credit Policy as detailed in Appendix A, for administration of the temporary tax credit for the 2005-06 fiscal year.

## **BACKGROUND**

Market value property assessments are used as a basis for the calculation of municipal property taxes, however, market value assessments do not have a consistent link to the services available to a specific area, the property owners ability to pay property taxes or the actual costs of the services being provided.

Market values are affected by several factors with municipal services being only one small element. For example, waterfront properties are valued 15% higher, on average, even though the services being provided are the same to other properties. Property improvements also increase the market value even though services being offered do not change. Therefore, assessed values are rising while the services being offered remain constant.

The value of a property is also not linked to the property owners' ability to pay taxes. In most cases, the value of a home increases after the individual has purchased the home. Increases in household income are usually much less than the recent trends in rising assessment values. There also can be situations where income can decline after purchasing a home.

There are also situations where the property values do not reflect the cost to deliver services. In the case of condominiums, the cost to provide municipal services is much less per unit, however the property values are often higher than other properties.

## **DISCUSSION**

To address the issue of fair and equitable taxation, staff have identified a three step action plan which includes the enhancement of the current low income support programs, a Revenue Strategy for long term tax reform and the one time temporary tax credit for 2005-06.

Current low income support programs are under the legislation of By-law T-302 and Administrative Order 10. Recent changes to the program's exemption levels, income thresholds and eligibility criteria to provide an increased level of assistance to lower income homeowners have been approved by Regional Council.

The Revenue Strategy initiative is underway with the intent to review various options for long term tax reform, including alternatives to market value assessment as a basis for taxation. On August 9<sup>th</sup>, staff will be providing an overview and update of the project with time lines as well as proposed public consultation.

The final step was the approval of a one time temporary tax credit for 2005-06. Staff realized that the tax credit was not a permanent solution, but would provide some tax relief while the long term Revenue Strategy was being developed. Since the MGA did not allow municipalities the ability to provide such tax relief, Bill No. 180 was introduced at the Spring Legislature and received approval on May 19, 2005.

The legislation provides that the council of the Halifax Regional Municipality may, by policy, provide for the reduction of the taxes payable in respect of a residential property in the 2005-06 fiscal year if the percentage increase in the assessed value of the property averaged over the 2005-06 fiscal year and such number of previous years as prescribed by the policy is greater than the percentage prescribed by the policy for the 2005-06 fiscal year.

The policy, as detailed in the attached Appendix A, provides a tax credit in the amount of 50% of the property taxes payable over the average assessment increase of 7.6%. The tax credit is for residential property owners only and is applied to the residential General Rate.

The temporary tax credit will be applied on the final tax bill issued in August 2005. There will not be a requirement to apply for the tax credit, as the amount will be calculated based on the taxable assessed values received on the annual Assessment Roll.

Property owners who have been approved for the province's CAP Assessment Program will be eligible for the temporary tax credit.

A majority of assessment appeals will be finalized prior to the issuance of the temporary tax credit, however, any assessment appeals that are finalized after the issuance of the tax credit will be adjusted to account for the assessment change and the amount of tax credit that has been applied to the property account.

It is estimated that 26,800 property owners will be receiving the temporary tax credit, with an average credit of \$72.00 being issued.

### **BUDGET IMPLICATIONS**

Based on the proposed policy, the financial implications of the 2005/06 temporary tax credit are estimated to be approximately \$2.0 million. This compares to budget estimates of \$2.6 million. Administrative costs to implement the credit are included in these amounts.

**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**

None

**ATTACHMENTS**

Appendix A

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: Dave Cormier, Acting Manager of Revenue 490-6470  
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Report Approved by:   
S. Dale MacLennan, CA, Director, Financial Services 490-6308

## Appendix A

### **Halifax Regional Municipality Administrative Order 36 2005 Temporary Tax Credit Policy**

**Whereas** Section 536B (1) of the *Municipal Government Act*, provides that the Council of the Halifax Regional Municipality may, by policy, to the extent and under the conditions as set out in the policy, provide for the reduction of the taxes payable in respect of a residential property in the 2005-06 fiscal year if the percentage increase in the assessed value of the property averaged over the 2005-06 fiscal year and such number of previous years as prescribed by the policy is greater than the percentage prescribed by the policy for the 2005-06 fiscal year.

**Be it resolved** as an Administrative Order of the Council of the Halifax Regional Municipality, pursuant to Section 536B(1) of the *Municipal Government Act* , as follows:

#### **Short Title**

1. The Administrative Order may be cited as Administrative Order No. 36, the Halifax Regional Municipality 2005 Temporary Tax Credit Policy.
2. In this Administrative Order:
  - (a) “dwelling unit” means a dwelling unit as defined in section 3 (aa) of the *Municipal Government Act*;
  - (b) “residential general rate” does not include area rates, fire protection rates or charges based on assessment levied pursuant to Section 81 of the *Municipal Government Act*;
  - (c) “residential property” includes
    - (i) condominiums; and
    - (ii) apartment buildings with less than four dwelling units;
  - (d) “taxable assessed value” includes reduction as a result of the 2005 CAP Assessment Program.

#### **Eligibility**

1. All residential property owners with a dwelling unit are eligible under this policy including any residential property owners who received a taxable assessment reduction resulting from the 2005 CAP Assessment Program.

### **Calculation of Tax Credit**

2. (1) If the residential property had a dwelling unit in each of the years 2004 and 2005 only, then the tax credit is calculated based on the annual increase in taxable assessed value over 7.6%.
- (2) If the residential property had a dwelling unit in each of the years 2003, 2004 and 2005, then the tax credit is calculated based on the two year average increase in taxable assessed value over 7.6%.
- (3) The tax credit is calculated at 50% of the taxable assessed value increase over 7.6% and is applied to the residential General Rate only.
- (4) Increases in taxable assessed value due to structural additions to the dwelling unit shall not be included in the calculation of the tax credit.

### **Application Of Tax Credit**

3. There is no requirement to apply for the temporary tax credit. The tax credit will be calculated based on the taxable assessment value from the annual Assessment Rolls received from Service Nova Scotia and Municipal Relations.

### **Effect Of Assessment Appeals**

4. Assessment appeals that are finalized after the issuance of the tax credit will be adjusted to account for the change in the taxable assessed value and the amount of tax credit that has been applied to the property account.