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Halifax Regional Council
March 20, 2007

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:

A handwritten signature in cursive script, appearing to read "Cathie O'Toole", written over a horizontal line.

Cathie O'Toole, CGA Acting Director, Finance

DATE: March 2, 2007

SUBJECT: Tax Deduction for Local Improvement Charges

INFORMATION REPORT

ORIGIN

Motion of Council on February 20, 2007 that a staff report be provided re the above subject.

BACKGROUND

Local Improvement Charges are a taxing mechanism defined by the MGA which provides funding for projects that are specifically attributable to a discrete area. Council is wondering if there is an ability to deduct the charge for purposes of provincial or federal personal income tax.

DISCUSSION

Federal and Provincial personal income taxes are calculated and collected under the jurisdiction of the federal/provincial governments through the Income Tax Act. At present, municipal taxes on real property are not deductible against employment income but are deductible under certain self employment and business income scenarios.

For example, if one works from home under a self employment scenario one can deduct a portion of municipal taxes such as LIC's from income earned or if one owns land and buildings that are used in an unincorporated business then municipal taxes are deductible.

Each individual needs to consult with a tax professional or contact the Canada Revenue Agency in order to determine their specific situation.

Any change to the Income Tax act to allow for further deductibility of municipal taxes such as LIC's would need to be advanced through federal channels.

BUDGET IMPLICATIONS

None at this time.

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

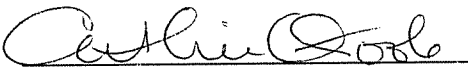
This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

ATTACHMENTS

None.

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: Cathie O'Toole, CGA A/Director, Finance 490-6308