HALIFAX
REGIONAL MUNICIPALITY

PO Box 1749
Halifax, Nova Scotia
B3J 3A5 Canada

Item No. 3

Halifax Regional Council
Committee of the Whole
June 23, 2009
July 7, 2009
September 22, 2009

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY: ______________________________
David Grace, Chair, Tax Reform Committee

DATE: June 17, 2009

SUBJECT: **Report of the Tax Reform Committee**

ORIGIN

Council's decision of October 3, 2006 to examine the foundations of the tax system.

The Finance Functional Plan of the Regional Municipality Planning Strategy (Regional Plan) of May 16, 2006.

RECOMMENDATION

It is recommended that

1. The current property tax system no longer reflects ability to pay and that Council commit to move off of assessment-based residential property tax

2. Council confirm that it supports taxation that reflects the recovery of the cost of providing municipal services, ability to pay and supports the following taxation principles:
   – Equity, Economic Competitiveness, Efficiency, Respect for other Governments, Simplicity, Stability, Transparency and Accountability

Recommendations Continued on Page 2

3. Council instruct the Tax Reform Committee to undertake a complete review of Commercial Taxation under the following broad categories:
   – The relationship between the commercial and residential rates of taxation
   – Taxation within the commercial sector to determine whether there should be a redistribution of commercial taxation

4. The Deed Transfer Tax be retained

5. Council instruct the Tax Reform Committee to:
   – Return to Council in September with recommended options on taxation, reflecting the above principles, including a phase-in schedule starting in 2010-2011 and continued support for modest incomes,
   – Hold an information workshop for Council on those recommendations, prior to the COW debate

BACKGROUND

For a number of years Council and the public have questioned the relevance of using assessment as the basis for municipal tax. In March of 2005 at the close of its budget debate, Committee of the Whole discussed reforming its tax structure in order to move away from assessment based revenues. Staff indicated they would undertake research for 2006-2007. As a result, the Regional Plan that was approved by Council in 2006 recommended (5.6.1.1) that the Finance Functional Plan consider

> *researching, analysing and recommending tax reforms (including possible legislative changes) which reflect an appropriate balance between market based property taxation and other charges, and ensure that the tax reforms: (a) are rational and transparent in the relationship between taxes paid and services available to the community, both now and in the future, (b) ensure a competitive local government taxation environment, and (c) consider the relationship between tax burden and the ability to pay;*

At its October 2, 2006 meeting, Regional Council examined four basic approaches to dealing with the taxation issue. It could maintain the status quo, look at addressing specific issues within the system, try to find a way to introduce flexibility and stability or it could undertake a complete examination of the Foundations of the Tax system. It approved approaching tax reform at "Level D - Rebuild Foundations" and "the creation of a project-specific (ad-hoc) Steering Committee to include Councillors and HRM residents as members." The Terms of Reference for this Council Committee included seven citizens (including the Chair, a senior's representative and two business representatives) and six councilors (2 each from the urban, suburban and rural areas). Council appointed the committee in late 2006. It also included taxation in its Council Focus Areas.

Since January of 2007 the Tax Reform Committee (TRC) has met over thirty times. It has held two major series of public consultations. The first consultations, approved by Council, included a series of focus groups designed to determine the Foundations of the tax system and what principles would underlie any new tax system. Emails, written and other submissions were also received.

In the Spring of 2008 Council approved a second set of public consultations including information on the Committee's Draft Tax Model. Thirteen public meetings were held and again submissions and comments were received through the web, email, by phone and in writing. In addition, the TRC has undertaken three public opinion surveys to confirm information it has acquired through consultations. Overall, the results of the various input confirms that there is extremely strong support for a service-based tax system, although one that also includes an ability to pay component. Based on that and other input the Committee has been conducting additional research and revising its Draft Tax Model.

DISCUSSION

The TRC has found that taxation issues are perhaps the most difficult and most emotional issues that a Council has to deal with. Individuals find tax systems complex and faceless and, not surprisingly, are constantly frustrated with both the system and their tax bills. As a result, they have become increasingly suspicious of any tax changes. Interpreting and understanding what people want and how to provide it have become great challenges for the committee. At the same time, while many citizens do not understand all of the ins and outs of property tax, they understand intuitively that the impacts of a tax system are beyond their own bills. They sense that the system is failing and have provided the committee with keen insight into what they think the system should do, what it is not doing and hence why it is no longer working.

It has become the committee's task to take these insights and translate them into a new tax system that more closely aligns with what people want. No system will ever satisfy all citizens but the committee is convinced of several key factors. First, the reasonable citizen wants a clear logic and reason to be available; even if they do not always agree with the reasons they respect the fact that there is a reason. When there is no clear explanation, the credibility of the system will fail. Secondly, citizens understand that the system does play a large role in how government operates, how services are provided and how the economy is run. While many citizens don't follow such impacts, they want government to do so and they want government to do so well. Hence it becomes our task to translate the desires of citizens into a coherent tax system that can be administered and operated.

Above all a tax system must be equitable and must be seen to be equitable. Tax money is citizen's money for their municipal services. The links between these two must be clear and transparent and must encourage accountability. Council must be able to explain on what basis they perceive taxation to be fair and how individual tax bills relate to services, value for money and the economy.

The Evolution of the Status Quo

For Nova Scotia, municipal property tax has its origins in the 1880s. At that time the property assessment system came into being. The value of all property including homes, land, silverware, jewellery and furniture was subject to municipal tax. The logic was very simple: the more property and more valuables that one owned, the more one could afford to pay in tax. This method made a certain amount of sense. Most people's wealth was invested in their farm or home and immediate belongings. Property speculation was limited and property values would have been relatively consistent. Municipal services were more limited and were easily understood. The connection between ones ability to pay their taxes, the services that were provided and ones say in government was much clearer. In short, the system was seen as somewhat fair, simple, easy to understand and somewhat stable.

Since that system came into being in the 1800s there has been massive change in the economy, our government and our whole way of life. The change has been dramatic, far more than can ever be documented here. In the late 1880s there were no automobiles, hence limited public roads or sidewalks and no public transit. There was no fear for the environment, hence no recycling, composting and modern landfills. Public recreation was unheard of. The role of government was rudimentary. Individuals didn't travel as far as they do today. Likewise the economy was different. Incomes were modest, as were homes. The average family spent most of their money on their home and family needs; they bought and sold houses infrequently. The modest size of government meant tax levels were modest. So, to the extent that the system was unfair, the unfairness was also modest.

As life changed, so did the tax system. Municipal governments found it difficult to tax silverware, household goods and other possessions so taxes on these goods were slowly eliminated. Governments found new and more accurate ways of determining the value of homes. More sophisticated methods of valuing properties came into existence. As did more types of properties (high-rise apartments, condos), more frequent housing sales and more speculation. Technology and computers made it easier to track the greater variety of properties and the change in their values. Today, assessed property values are updated every year, subject to a limitation (or cap) on how fast they can increase. And yet today the system seems to have less and less credibility. Citizens see the system as being unfair, overly complex and unaccountable. Tax increases seem to occur without a clear process or explanation. Individuals are frustrated by their inability to understand or to plan for tax increases.

What our citizens are saying

From our consultations with the public, it is clear that taxpayers are frustrated and feel that basic reforms of the tax system are required. Whether at public meetings or in public opinion surveys people consistently said that they wanted reform of the tax system. Only a small portion of the public appears truly happy with the status quo. The reasons for this dissatisfaction are many and complex. Citizens are looking to ensure that they get value for their tax dollar. As such, they find it difficult to see the link between the available municipal services, how much they can afford and the taxes they are required to pay. For instance:

- Large assessment increases almost always lead to large tax increases, yet often there is no or little change in municipal services
- Many individuals are on fixed incomes such as pensions. Their taxes rise with the value of their home. Their incomes aren't changing and they feel as if they are being pressured

to sell.

- Assessment changes often have little to do with municipal services. For example, property speculation in a neighbourhood can lead to higher taxes for local residents. As waterfront property becomes more valuable many are seeing higher taxes.
- Home values create wealth but it is paper wealth. There is normally no extra cash generated by the property to pay taxes. It may be many years before some residents sell their home and see any return from their years of mortgage payments. In the meantime, their taxes often continue to rise.
- Individuals often have large tax bills relative to their income and their ability to pay. Even with the existing low income rebate system, low income individuals pay out a high portion of their income to property tax. More and more middle-income individuals now find that their property tax bill is one of their largest bills. Often tax bills vary dramatically, with some middle income individuals having very low tax bills and others having surprisingly high tax bills.
- Tax bills often come as a surprise. Unlike income tax (that is deducted off of regular pay cheques) or sales tax (that comes at the cash register), families find they are getting two big bills once a year. For many this makes planning difficult.
- Assessed property values don't appear to reflect home values. Many believe the assessed value of their home is inaccurate. Many taxpayers simply compare their home to their neighbours and question what they see as a discrepancy.

Coupled with this dissatisfaction is often a level of suspicion and cynicism. Some clearly feel that changes in the system will be used as an excuse to raise overall taxes. Rising assessment values are seen as a shortcut to increasing taxes while blaming it on the assessment system. Others are frustrated with what they see as a lack of accountability.

What Has the Committee Concluded?

The Tax Reform Committee spent considerable time talking to citizens about taxation, reviewing the literature, looking at systems elsewhere and trying to determine what was really happening in the world. As a group the Committee has considerable sympathy for the concerns of citizens. Broadly speaking they have concluded that

- The Halifax Regional Municipality (HRM) has become overly dependent on property assessments. In the United States roughly 25% of Municipal revenue is from assessment-based systems. Across Canada about 40% of total revenue comes from such systems. In Halifax nearly 80% of revenues are from property assessments.
- Other Canadian cities have made reforms to their tax system. Many cities now make use of user fees and utilities for services, making them more service based than Halifax. Edmonton and Ottawa have both recently reformed parts of their tax system. In Nova Scotia some municipalities use dwelling unit fees to recover garbage costs or as a minimum tax.
- The current tax system does not support the Regional Plan. Efficient forms of housing such as multi-unit properties are very cost effective for a municipality to service. In the

case of condos, however, they are taxed nearly as high as homes. Apartments have lower taxes but this is changing as the assessment cap shifts more of the tax burden onto apartment buildings.

- There is no clear link between the value of a property and the value of most municipal services. Appendix 4 outlines examples where assessment and taxes clearly do not line up with municipal services. As such citizens cannot be expected to understand whether they get value for their tax money. In many cases homeowners are not paying the full cost of their municipal services and are being subsidized by commercial taxpayers or other homeowners. Council has a responsibility to explain the relationship between the tax someone pays and the services they receive, but the lack of a relationship between services and assessment makes this extremely difficult.
- Many aspects of the assessment system are complex and require a basic level of technical skill to understand. Systems such as income tax rest upon easily verifiable information (e.g. T4s). The estimated value of one's property, however, is a matter of professional judgment. As such there is confusion and dissatisfaction with the current property tax system.
- The assessment system tends to have built-in biases which cause certain types of properties to be inappropriately taxed. Newer homes, homes just sold or renovated, apartment buildings and condominiums are all clearly being taxed unfairly relative to others. These biases are becoming stronger and stronger. The current assessment cap will even further widen the gap between existing homes and those just renovated, built or sold. This holds serious implications for younger buyers (facing a large tax bill on a new home), older buyers (seniors trying to downsize) and those moving to Nova Scotia (immigrants and other newcomers).
- Commercial properties are taxed at a higher rate using the "commercial multiplier". The multiplier is historic in nature. While it may be that the overall commercial sector should pay more tax than the residential sector, the current approach needs to be re-thought. At a minimum there should be greater transparency. Some evidence exists to suggest that the commercial tax burden is not being fairly shared amongst commercial taxpayers.
- The underlying assumption of the assessment system is that those with higher valued properties can afford to pay higher taxes. There is no longer a basis to support this position. The Committee has confirmed and re-confirmed through statistical tests that such an assumption is a myth. The results of the Committee's research are included as Appendix 1. Trying to tax homes on what is clearly a false assumption has led to many inequitable situations in property tax and is severely damaging the credibility of the municipal tax system.

What Makes for a Credible Tax System

The Tax Reform Committee is concerned that a tax system needs to recognize the ability of individuals and communities to pay their tax bills, especially those of more modest incomes. However, it also believes that citizens do not wish their municipal tax system to be largely based on ability to pay. Rather, the Committee believes that most citizens prefer a service-based tax system, that provides support for those of more modest means.

The Tax Reform Committee feels that it is critical to set out the key principles under which a proper, credible tax system should be established. The principles it believes are important were established in consultation with the public. It has described these principles in detail as part of the Mission Statement and Principles for a Tax System (see Appendix 3). In brief, these key principles are:

- Above all, the tax system must be equitable. This requires clear rules that are applied consistently
- Tax bills must be stable and predictable
- Taxation must be transparent and government accountable
- The tax system should be as simple as possible to understand and administer
- The tax system promote economic competitiveness
- The tax system should promote economic efficiency
- There should be respect for other Governments role in the tax system

The Committee believes that the most critical part of a new tax system is the underlying principles on which it is established. To this end it encourages Council to understand and support the principles of tax reform and to base any new tax system on these principles.

Towards A Gradual Replacement of the Tax System

The Committee feels that Halifax's tax system needs to evolve into more of a service-based system. This needs to be a gradual change with careful consideration by Council at each step of the way. The current system can be fully replaced or partly replaced. However, Council does need to give clear direction of its intent to change.

The Committee has developed a full working model for a new tax system, which it called its Draft Tax Model. Subsequent to public consultations the Draft Tax Model was revised to reflect this input (see Appendix 4). However, even it its revised form the Draft Tax Model is only one of numerous approaches that Council could take. There are many variations and changes that could be made to the model, many of them without amending the current Halifax Charter. While the Committee believes the model has strong merit it wishes to emphasize that the model should be a starting point for Council's debate on Tax Reform. It should not be seen as the only option for tax reform.

Conclusion

Halifax has become hugely dependent on property assessment as a form of revenue. While other parts of Canada have slowly moved towards other fees and revenue sources almost 80% of Halifax's revenues come from this one source. The current system has serious deficiencies and most citizens prefer a more service-based approach.

Ultimately no tax system is perfect. Citizens and politicians alike will need to compromise in order to achieve a new system. However, the ultimate test of whether this system should be gradually introduced (in part or full) is not whether it is perfect, but whether it is better than the status quo. Council requires tools and a roadmap to allow it to move away from the current assessment system.

These recommendations need to be slowly introduced, tested and reviewed. Modifications should be expected as Council and Citizens learn more about the system.

The Committee feels that it is critical that Council reform the current tax system and start to phase-out a major portion of the assessment based property tax. While it has provided a working model as to how this could be done, it is up to Council to decide how much of the system to replace and how quickly to phase-in those changes.

BUDGET IMPLICATIONS

None.

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

Council may reject the recommendation and wind-down the Tax Reform process.

ATTACHMENTS

Appendix 1 - Income and Property Values Don't Link
Appendix 2 - Assessment and Services Don't Link
Appendix 3 - Mission Statement, Principles and Objectives for the HRM Municipal Tax System
Appendix 4 - Revised Draft Tax Model is A Starting Point for Council

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.

Report Prepared by: ______________________________

Bruce Fisher, Manager of Fiscal and Tax Policy, 490-4493

Appendix 1 - Income and Property Values Don't Link

Very little information exists to evaluate the relationship between wealth or income and property values. Few studies appear to have been done in this area. However, every five years, Statistics Canada conducts a census of Canadian residents asking a variety of demographic, social and economic questions. One in five households are asked about their household income and (for homeowners) the value of their home. Staff assisting the Tax Reform Committee have obtained special customized data from Statscan showing this relationship between income and home values.

This analysis was first undertaken with data from the 2001 census. A Regression Analysis was run on the data and a Correlation Coefficient and a Coefficient of Determination or r-squared was calculated. A r-squared is expressed as a number between 0% and 100%. Zero shows no correlation while 100% shows a perfect correlation. In the case of the 2001 census data the value of a weighted analysis of table occurrences showed only a 27% r-squared. This shows that **the value of one's home is not a good predictor of one's income.** In other words, there is not a significant relationship between income and home value.

Staff repeated this test when the 2006 census was released. The r-squared using the 2006 data showed a consistent although slightly weaker relationship. Statistically, the r-squared value of a weighted analysis of table occurrences for 2006 showed only a 22% predictive value of home value (in determining income).

Neither the 2001 nor the 2006 census data take into account the changes made to the Provincial Assessment Cap, which limits assessment growth to the Consumer Price Index. The introduction of this program (which is not income tested) will likely make the relationship between income and home value even less reliable.

In holding its public consultations the Committee had the opportunity to discuss taxation issues with a wide range of individuals and homeowners. The anecdotal evidence from those discussions is consistent with the statistical data.

Analysis was also undertaken on the relationship between the monthly rent for apartment dwellers and their income. Using 2006 census data the r-squared value of a weighted analysis of table occurrences for 2006 showed only a 14% predictive value of rent (in determining income).

It is important to understand what these tests and the various analysis show. Despite belief to the contrary, home values do not rise as incomes rise. As a result, the incidence of taxation upon individuals by income is wildly inconsistent with many low income individuals having high tax bills, high income individuals frequently having low tax bills and middle income individuals often facing a wide variety of tax bills: low, average and high.

Appendix 2 - Assessment and Services Don't Link

Under the current tax system there is little consistency in how homes are taxed. While the value of an average home is $180,000 there are a wide range of values. Most homes have a value within $100,000 to $300,000 although some homes are valued at $50,000 or less while others are assessed at more than $500,000. Only just over 175 are valued over $1 million. (Although almost one-third of these are capped at less than $1 million).

The value of a home has very little relationship to the municipal services that are provided under Halifax's general tax rates. The Committee used information from HRM's Geographic Information System to analyse assessed values. Several examples display the poor link between values and services:

Homes with a Range of Services

For illustration, we divided single family homes into three groups depending on their access to public local roads, transit, sidewalks, hydrants and recreation facilities. These three groups are those with weak access to services, stronger access to service or those in-between.

	Weak Service	**Stronger Service**
Transit Service	More than 3km away	Within 1 km of a Metro Transit Stop (other than a "peak only" stop)
Roads	Fronts on a Private Road	Fronts on a HRM or Provincial Road
Hydrants	None	Within 1,200 feet
Sidewalks	None	Within 500m
Local Recreation Facility	Father than 12km	Within 3km
Average Assessment	**$205,500**	**$199,900**

Ironically, those with weaker access to services had higher assessed values than those with strong access to service. Those who fell in between these two groups had an average assessed value of $163,000, less than either those with very weak or very strong service.

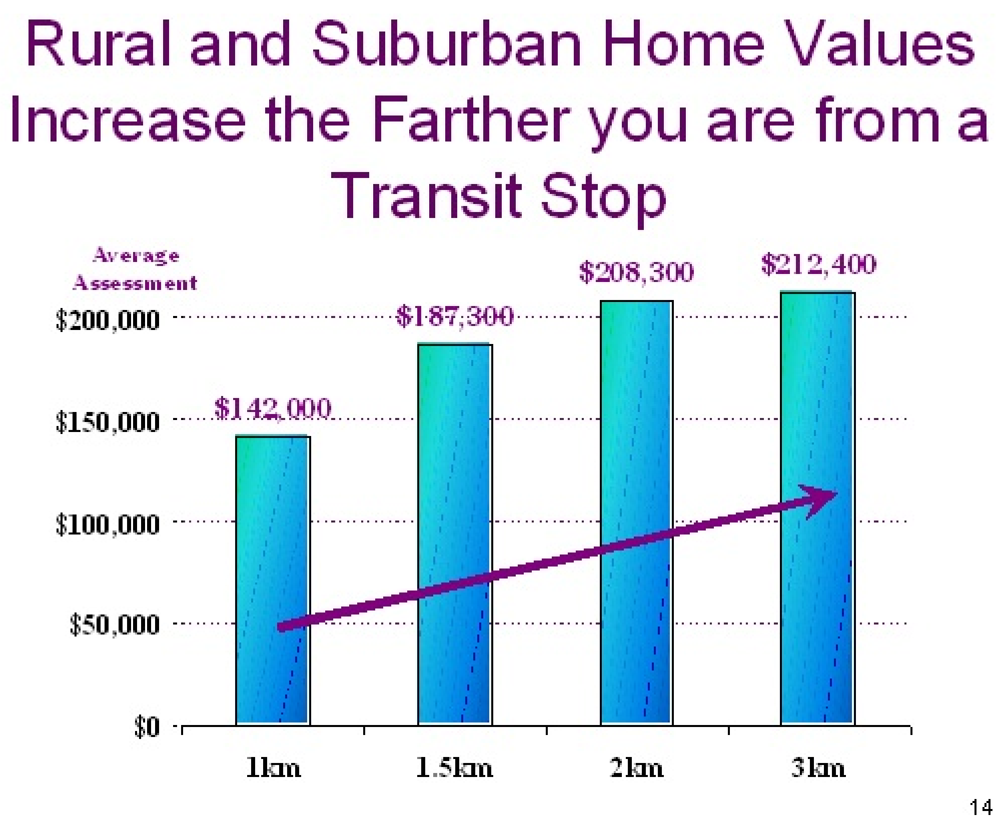
These figures are averages. Within any of these three groups are homes with very high and very low assessments.

Homes on Waterfront

Approximately 8% of HRM homes are on waterfront. Property values for waterfront are typically higher than for non-waterfront even though the services don't necessarily differ. For example, Homes with "Stronger Service" (see above) are sometimes on waterfront and sometimes not. When they are on waterfront the average tax bill is almost twice as much as for those properties not on waterfront. The value of the underlying land, not the services, is driving the assessed values and hence the tax bill.

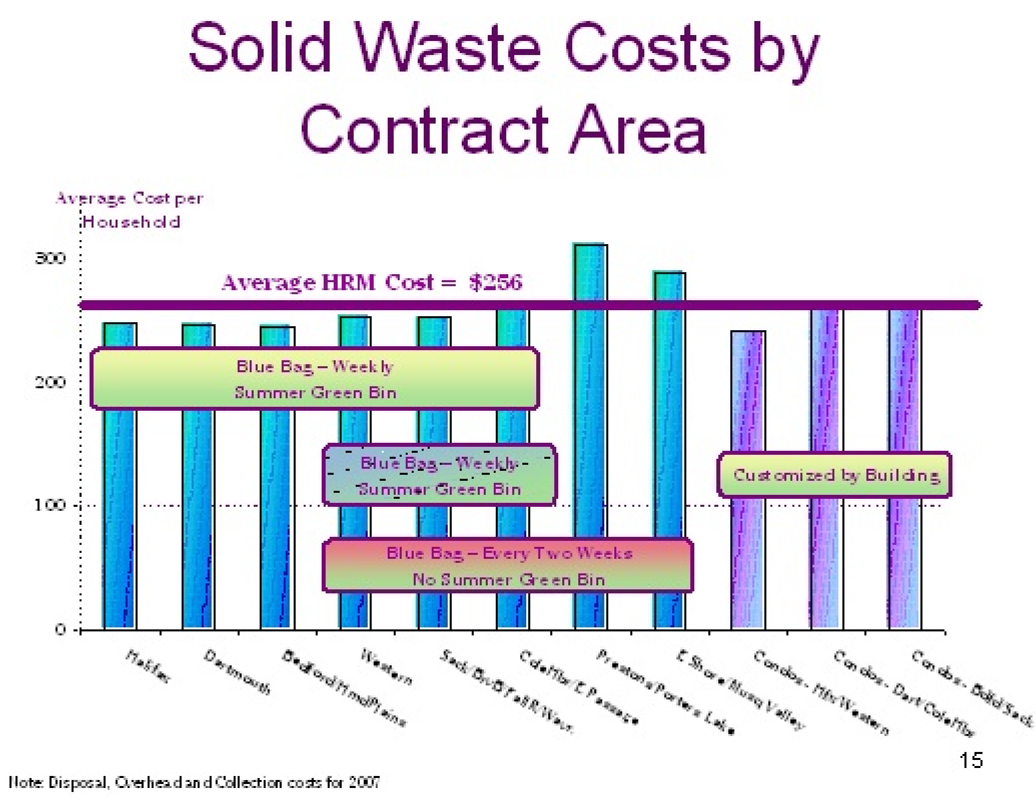
Homes Farther Away from Transit Stops

Looking at proximity to transit stops also shows some interesting results. For those in rural and suburban areas, assessed values of single family homes tend to rise the further one gets from a transit stop. For instance, those who are 3km from a transit stop have assessed values that are 50% higher than those within one-half of a km from a transit stop.

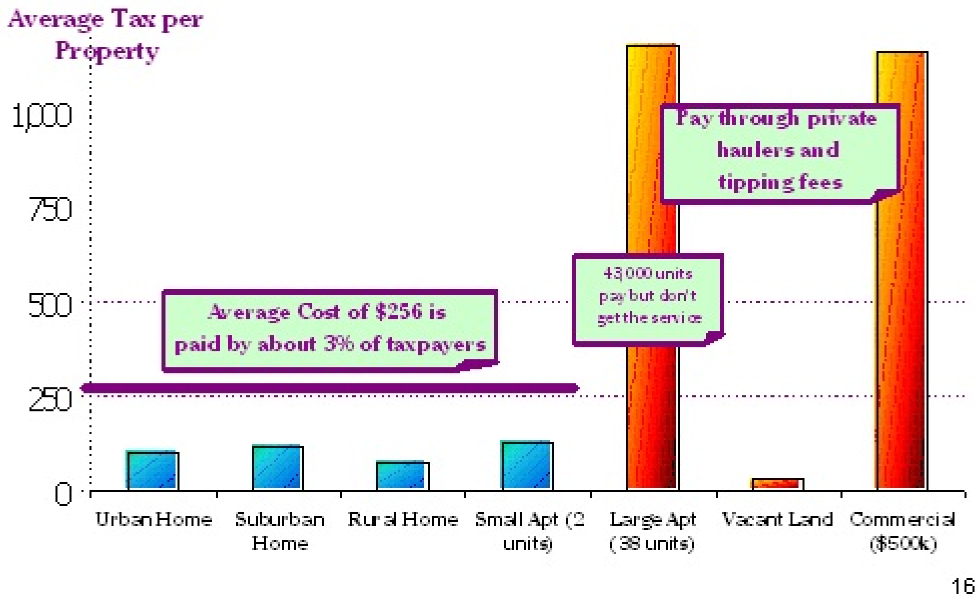


Taxation is Often Not at Full Cost

Lastly, the taxation of solid waste illustrates how the current system often doesn't show the full cost of providing municipal services. HRM is divided into eight main collection areas for solid waste with some special arrangements for condo buildings. Services vary depending on whether there is weekly Green Bin (Summer) and/or Blue Bag collection. Commercial businesses (with a few exceptions) and apartments over 6 units don't get municipal solid waste pick-up but have to make and pay for their own pick-up with private haulers. Regardless, they still help fund the pick-up of solid waste at single family homes. The average cost in 2007 to collect and dispose of this waste was $256 per home. The average tax bill per home was only just over $100. Just 3% of homes actually paid the full cost of solid waste.



Most homes don't pay the full cost of solid waste



Appendix 3 - Mission Statement, Principles and Objectives for the HRM Municipal Tax System

Mission Statement
To provide an equitable tax system based on a charge for services provided and ability to pay by:
- Linking taxes and fees for services to those who derive the greatest benefit at the individual, community and regional levels, and,
- Considering the ability to pay.

Foundation of the Tax System
As a central and key element of municipal government, HRM strives to
ensure that the tax and fee system
- Encourages the economic well being of all it taxpayers and citizens,
- Recognizes that the funds raised through taxes and fees belong to the citizens of HRM and are held in trust,
- Encourages fiscal prudence and an acceptable level of tax and fee burden for services, and
- Recognizes that municipal services may benefit everyone and that to the extent all benefit, all should share in the cost of the service.

Principles
To achieve and sustain the Mission Statement and Values, HRM follows seven core principles. The most important of these is Equity, which is supplemented by the principles of Economic Competitiveness, Economic Efficiency, Respect for other Governments, Stability, Simplicity, and Transparency and Accountability.

Equity
Similarly situated taxpayers should be taxed similarly.

Objectives:
- All taxpayers should be taxed according to their municipal services.
- The tax and fee system should be designed to be non-regressive.
- The tax and fee system should apply consistently to all taxpayers and citizens.
- The Tax and Fee system should have no unintended systematic bias towards any group of individuals, firms or local communities.
- The tax and fee system should not provide an unintended advantage for any business relative to its local competitors.

Economic Competitiveness
The Municipal Tax System should be designed to maximize the economic potential of the Region and Province.

Objectives:

- To encourage investment and business activity within Halifax Regional Municipality and within Nova Scotia.
- To encourage the long-term growth of the municipality including a focus on immigration, youth and diversity.
- To encourage responsible home ownership.
- To encourage efficient growth patterns and to support the Regional Plan.
- To support the Region's business climate including international competitiveness.
- To allow for environmental sustainability.
- To ensure that residential, commercial and other taxpayers pay an appropriate share of the tax burden.

Economic Efficiency
The Municipal Tax System should be designed to encourage healthy behaviours by citizens and taxpayers.

Objectives:

- To limit the unintended effects on people's behaviours due to taxation.
- To focus on as broad a tax base as possible.

Respect for other Governments
Recognize the links to the Federal and Provincial Governments and other Municipalities.

Objectives:

- Where HRM and another government share tax room, there shall be consulting over the use of the tax room, and mutual respect for each other and the taxpayers involved .
- HRM will administer its tax system according to the Laws of the Province of Nova Scotia and, where appropriate, seek changes to those laws.
- The HRM Tax System should function well along-side the tax systems of other Nova Scotian municipalities.

Stability
The Tax and Fee System should be designed to discourage unintended, sudden and dramatic changes in municipal taxes.

Objectives:

- Individuals should be able to reasonably predict future taxes, based upon their understanding of their circumstances and the services available.
- Individual tax bills should not experience sudden and dramatic change other than to reflect service changes and/or changes in ability to pay.
- The Tax and Fee system should be designed to discourage unintended sudden and dramatic changes in municipal revenues.

Simplicity
The Tax and Fee system should be as simple as possible to minimize compliance costs and be easily understood.

Objectives:
- The system should be designed to limit the overall complexity of the system.
- Features of a municipal tax system should be limited to those that make a clear and dramatic improvement for a large number of citizens.
- The number of methods of taxation or fees to pay for any one service should be minimized.
- The administrative costs of the municipal tax system should be minimized.

Transparency and Accountability
It should be clear how and when taxes and fees are imposed and approved.

Objectives:
- Taxes and fees should be based on objective and factual information, and not subject to opinion or estimation.
- The Tax Bill for individuals should be calculated in a manner that is reliable and verifiable.
- The tax system and its components should be clearly documented and available to the public.
- The tax system should not have any unintended biases towards lowering or increasing taxes or expenditures.
- The tax burden needs to be reviewed and set on a regular basis.

Appendix 4 - Revised Draft Tax Model is A Starting Point for Council

Based upon the principles it developed through consultations, the research it has undertaken and the various options it has looked at the committee is prepared to recommend that:

Those municipal services which clearly benefit specific households should be paid for by those households. In particular

- ✓ **Solid Waste** should be paid for by those properties which receive solid waste pick-up through a flat fee per dwelling. Those that don't get pick-up, such as most commercial properties and apartment buildings with more than six units, would not pay.
- ✓ A **Hydrant** tax, also a flat fee, would be paid once by every property within a reasonable distance of a hydrant.
- ✓ The cost of **local roads** should be paid for by those who front on a road. That fee would be paid for once per property. Those on private or provincial roads would be provided a reduction in the local road fee.

Those services that are available to and chiefly benefit only certain communities would be paid for by a dwelling unit fee levied only within those communities. These services include:

- ✓ **Local Transit** such as all Metro Transit or community transit lines would be paid for by those within 1 km of a Transit stop.
- ✓ **Local Sidewalks** would be paid for by those within walking distance of a sidewalk.
- ✓ **Local Recreation Facilities** (small local recreation and community facilities) would be paid for by those within 8 km of the facilities.
- ✓ **Regional Transit** such as Metro Link, Rural Express Transit or the ferry system would be paid for by all residents. There would be a different tax rate for each of four zones.
- ✓ **Regional Roads** (arterial and collector roads and adjacent sidewalks) generally benefit the entire region. They would be paid for by all residents with a different tax rate for each of the four zones.

A **Regional Tax Rate** would be applied to all homes at a set rate. It would covers municipal services that benefit the entire region such as Police, Fire, Library and regional recreational facilities such as rinks and pools and the Metro Centre. It is the largest of the nine tax rates and would cover almost 50% of municipal services.

The current area rate for provincially mandated services would be maintained. As the Provincial formulas to calculate Halifax's cost are largely based on uniform assessment, this rate would continue to be collected on the assessment system. For residential taxpayers, this represents about one-third of their tax bill.

The **low income tax rebate** would be expanded to include more generous rebate amounts. The maximum income levels would be raised and there would be additional amounts available for families with children. Under this new system the intent is to lower the tax burden of the majority of low income homeowners. It is hoped this improved rebate would be administered by the Canada Revenue Agency.

A **surtax on high value homes** should be introduced. A surtax on the top 5% (or less) of homes would help ensure that higher income individuals bear more of the property tax burden. This would offset any increase in low income support.

These nine municipal taxes would no longer be collected through the assessment system. Rather, a single rate would be set for each single family home. For instance, under a new system every property fronting on a HRM road would pay the same amount for local road service. Comparisons are simple, consistent and transparent. Taxpayers can then ask questions about that local road budget, why it costs what it does and whether they support that level of service.

Two of the nine taxes (Hydrants and Local Roads) are the same for all properties, regardless of the number of dwelling units on the property. For the other taxes, multi-unit buildings (such as condos and apartments) would have special tax rules, and would pay reduced amounts of tax depending upon how many units are in each building.

Most low income individuals reside in apartment buildings, not homes. While taxes on apartment buildings are generally lower than on homes, the Committee is concerned that those tax levels may exceed the capacity of those individuals to pay. It is recommending that low-value buildings be provided with a lower tax burden than other apartments. This will allow many of those in apartments to have a somewhat comparable tax burden to a low income homeowner.

The Committee accepts that most taxpayers do not wish the Deed Transfer Tax to be eliminated and is no longer recommending its removal.