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HALIFAX
REGIONAL MUNICIPALITY

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Halifax Regional Council
May 30, 2006

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:
Dan English, Chief Administrative Officer

Geri Kaiser, Deputy Chief Administrative Officer

DATE: May 18, 2006

SUBJECT: **Request to Exempt Seniors from Area Rates**

ORIGIN

This report originates with a request from Councillor Snow (Regional Council meeting of February 28, 2006, item 10.2.1(i)) for staff to assess the feasibility of exempting seniors from area rates.

RECOMMENDATION

It is recommended that :

1. Council not introduce an exemption from area rates for seniors.

BACKGROUND

In addition to the general rates of property taxation, the Halifax Regional Municipality may elect to impose an area tax rate for specific additional services not covered by the general rate. An area rate must be approved by Regional Council and in accordance with policy set out in Section 75 of the Municipal Government Act (1996).

To date, there are fifty-three (53) types of area rate that include services such as fire protection (hydrants), supplementary education, sidewalk snow-plowing, community transit, business improvement districts, crosswalk guards, sidewalk construction, and recreation facilities. In addition, local improvement charges may be levied for infrastructure projects such as water, sewer, or roads. In 2005-06, these area rates collected a total of $20,900,000 from residential customers and another $12,600,000 from commercial customers. See: Attachment 1.

DISCUSSION

Staff recommend against the imposition of an exemption from area rates for seniors for the following reasons:

- Exclusion from taxes on the basis of age only may be challenged as discriminatory. Age, in and of itself, is not a cause of low income or poverty. For example, data from the Canadian Council on Social Development (2002) shows that the average basic social assistance income in Nova Scotia was $4,980 for a single employable person, $8,580 for a person with a disability, $8,760 for a single parent with one child, and $11,520 for a couple with two children. By comparison, the Guaranteed Income Supplement (available only to seniors) was $12,800 for a single person and $16,700 for a couple (eligibility is capped at a maximum income of $32,592).

- HRM's *Residential Property Tax Rebate Program* (Administrative Order 10) includes area rates in the calculation of any rebate for a homeowner whose combined household income is less that $27,000. Presently, there are nearly 3,000 households across HRM that participate in this program. If an eligible applicant to the municipal tax rebate program were also exempt from an area rate the value of the municipal rebate would be reduced. The area rate would be deducted from the total tax bill and the municipal rebate calculated on the balance (we would not provide a rebate on a tax not paid).

- HRM's *Residential Property Tax Deferral Program* (By-law T-700) includes area rates in amounts deferred. The eligibility cut-off is a combined household income less than $27,000. Participation rates for this program range from approximately 250 to 300 households. If an eligible applicant were also exempt from an area rate the amount deferred would be reduced.

- Section 69 of the Municipal Government Act (1996) provides municipalities with the discretionary authority to provide property tax assistance to low income homeowners but the legislation specifies only income as a criteria. With the exception of the destruction of property, there is no explicit permission to do so on the basis of age or any other distinction.

- Arguably, senior citizens receive preferential property tax consideration from the Province of Nova Scotia via the *Seniors Property Tax Rebate Program*. The program rebates a portion of the municipal property tax paid in the prior year. To be eligible for assistance the applicant must be age 65 or over and in receipt of the federal Guaranteed Income Supplement. Recipients may be eligible for a refund of 50% of their tax or $400 whichever is less. Hence, by application, eligible lower income senior citizens could receive both a municipal and provincial rebate. Presently, the provincial tax assistance program does not recognize other lower income individuals and families such as social assistance recipients, disabled persons, the low waged, unemployed etc. There are also housing assistance programs exclusively for seniors such as home repairs (up to $5,000) and home adaptations (up to $3,500).

- In 2001, seniors aged 65 and over owned and maintained nearly 20% of HRM's owner-occupied dwellings. This percentage is expected to increase significantly over the next 20 to 25 years. Refer to Attachment 2.

- The annual assessment roll does not identify information on owner such as age, income, household composition etc. Therefore, any exemption, full or partial, on an area rate would have to be by annual application. There is an additional administrative cost to such a service.

Capacity Issues:

The capacity of Financial Services to maintain customer service standards is under significant pressure as a consequence of the following:

- increase in the number of properties in HRM as a function of growth (approximately 13,000 new accounts since 1996);
- increase in the number of tax levies (area rates, LIC's etc);
- increase in the number adjustments for tax assistance programs (rebates, deferrals, provincial assessment cap, HRM temporary tax credit, proof of eligibility for the provincial seniors tax program, request for prorated rebates for property loss due to fire or weather events etc).

In 2005-06, there were 53 rates, including local improvement charges. Some of these rates cross district boundaries and there are numerous multiple combinations of area rates. If implemented on a go-forward basis, a uniform exemption from all area rates for seniors would require an annual review and adjustment of all combination of tax rates in the region. This could result in an owner's exemption from some area rates but not all (the exemption is not applied retroactively).

BUDGET IMPLICATIONS

Who pays the cost of the subsidy?

Any exemption from payment of an area rate would either (1) reduce the budget for a specific area-rated project or transfer these costs to other residents in the catchment area, or (2) the cost of exemptions would be transferred to the specific area-rated project from the general tax rate. Any transfer to area rates from the general tax rate effectively decreases municipal revenues. If council wishes to implement such a program, HRM could petition the Province to cost-share.

What would the subsidy program cost?

Staff cannot predict with a high degree of accuracy what an area rate exemption program would cost. The main variables are (a) self-selection: not all eligible applicants apply, (b) assessment value, and (c) age of property owner.

- Using indicative figures (See: Attachment 1) the cost could be as high as $4,000,0000 if all senior households aged 65 and over in HRM applied and received a full exemption (20% of $20,889,212) across all rate sets. However, the cost is likely to be lower because not everyone applies to assistance programs and a partial exemption is also a policy option.

- Participation rates in the *Residential Tax Exemption Program* are estimated to be only about 20% of eligible households. But, this program requires proof of income which could discourage participation. Using this participation rate as a guide, and an age cut-off of age 65 and over, 20% of senior households would represent approximately 3,417 applicants. The value of individual exemption and cumulative cost of the program would vary significantly based on annual participation rates, assessment values, and individual area rate values.

- Note: the former deferral by-law (By-law T-300) used the cut-off age of 55 years. Age eligibility was terminated in 2001 on the basis that low income was not exclusively a function of age (By-law T-301, April 24th, 2001).

- In addition to the direct subsidy cost, administrative costs would increase because the program would have to be by application.

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

1. The issue of exemptions for residential property owners could be deferred for consideration under the Tax Reform Project in progress.

   This action is not recommended. The rationale for not supporting an area rate exemption for seniors as detailed in the Discussion section of this report would not change. However, the Tax Reform Project is expected to review the issue of affordability.

2. Regional Council could defeat the staff recommendation and direct staff to implement a program of exemption from area rates for low income seniors under existing residential tax assistance programs; namely, Administrative Order 10 (rebates) and By-law T-700 (deferrals).

   This action is not recommended: to exempt a portion of lower income homeowners by virtue of age may be challenged as discriminatory. The option to defer taxes, including area rates, already exists and can assist individuals unable to pay their tax bill in full or in a timely manner.

3. Regional Council could defeat the staff recommendation and elect to implement a program of exemption from area rates for low income seniors on an district-by-district, or rate-by-rate, basis.

   This action is not recommended: to effect a tax exemption requires a by-law as per Section 69 of the Municipal Government Act (1996). In theory, HRM could arrive at an additional 23 by-laws to implement with the potential for varied interpretations of policy and a lack of uniformity across the region. And, some area rates cross district boundaries.

ATTACHMENTS

1. Distribution of Area Rate Revenue by District, Residential, 2005-06.
2. Distribution of Population by Age, Halifax CMA (2001 Census).

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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Attachment 1. Distribution of Area Rate Revenue by District*: Residential, 2005-06.

District	Value	District	Value
1	$198,142.15	**12**	$1,084,018.60
2	$898,278.39	**13**	$2,024,301.50
3	$725,576.02	**14**	$1,154,770.10
4	$829,793.63	**15**	$858,644.74
5	$1,030,929.50	**16**	$1,264,559.80
6	$1,142,711.70	**17**	$1,166,822.80
7	$1,024,720	**18**	$561,512.45
8	$597,702.10	**19**	$594,415.64
9	$561,074.76	**20**	$654,512.15
10	$1,066,436.80	**21**	$1,006,239.70
11	$894,389.04	**22**	$797,681.31
		23	$751,979.38
		Total	**$20,889,212.26**

* Figures for Residential only, revenues calculated using 2006-07 Assessment Values and 2005-06 Tax Rates.

Because an area rate exemption would only be applied to a principle place of residence, the area rate sets for commercial have been excluded (eg. commercial fire protection, business district improvement, supplementary education from commercial properties etc). An additional area rate set was created in 2005-06 which separated supplementary funding into (a) supplementary education, and (2) music/arts education; thus supplementary education is counted as two "sets".

Attachment 2. Distribution of Population by Age of Primary Household Maintainer, Owner-Occupied Dwelling for Halifax CMA (2001 Census)			
Age Group	Total Households	Population 55>	Population 65>
<25	555		
25-34	10,795		
35-44	24,175		
45-54	22,385		
55-64	**14,190 (15.9 %)**	**31,275 (35.1%)**	
65-74	**9,670 (10.8%)**		**17,085 (19.2%)**
>75	**7,415 (8.3%)**		
Total	**89,190**		

"Age group of primary maintainer" refers to the age group of the first person in the household identified (in the 2001 Census) as the one who pays the rent or mortgage, taxes, or utility bills etc. for the dwelling. These figures are for owner-occupied dwellings only and exclude rental accommodations. Condominium and mobile homes are included.

According to estimates from the Clayton Research report *Employment, Population and Household Projections* (2004), over the next 25 years the number of HRM residents over age 65 is expected to double as a percentage of total population. Therefore, all other things being equal, 38% of HRM homes (2 x 19%) could be owned by seniors within this timeframe.