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Item No. 2
Halifax Regional Council
July 6, 2010

TO: Mayor Kelly and Members of Halifax Regional Council

A handwritten signature in cursive script, appearing to read "Cathie O'Toole".

SUBMITTED BY: _____
Cathie O'Toole, CGA, Director of Finance

DATE: June 15, 2010

SUBJECT: Residential Tax Exemption: Revised Rebate Values for 2010-2011

INFORMATION REPORT

ORIGIN

On December 4, 2007, Regional Council approved indexing the *Residential Tax Exemption Program* (Administrative Order10). This report highlights the changes to the program in 2010-2011.

BACKGROUND

Using the exemption formulas in Administrative Order 10, the following exemption changes are required to update the exemption and deferral program for 2010:

1. The upper income eligibility threshold bracket will increase from \$29,000 to \$30,000.

The low-income cut-off scale for a 3-person household has increased to \$29,222; when rounded up to the nearest \$1,000, the threshold will be \$30,000. This eligibility threshold applies to both the residential tax exemption and deferral programs. It is estimated that an additional 105 clients will be eligible to apply for the low-income rebate, based on the increased threshold.

The lowest income range will increase by \$1,000 to "up to \$20,000."

The low-income cut-off scale for a 1-person household has increased to \$19,094; when rounded up to the nearest \$1,000, the threshold will be \$20,000.

2. The "reference rebate" will remain at \$750.

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The “reference rebate”, calculated as 1/3rd of the average regional residential property tax in the prior year (2009), is the maximum “rebate” payable to those in the lowest income range and middle property tax bracket. In 2009, the average property tax including area rates was \$2,240 per single-family home.

3. Property tax brackets increase by \$100, due to the increase in average taxes in HRM.

Overall, it is estimated that the average rebate will increase by \$10 to \$529 per household due to the increased rebate levels for those with incomes under \$20,000.

DISCUSSION

The ‘new’ Table T for 2010-11 is shown below. For comparison, the 2009-10 Table T is included in this report as **Attachment 1**.

Table ‘T’ Household Income, Property Tax, Rebate Value and Minimum Payable New Values for 2010-2011					
	Gross Household Income (before deductions)				
Tax Payable	\$0 - \$20,000	\$20,001- \$22, 500	\$22,501 - \$25,000	\$25,001 - \$27,500	\$27,501 - \$30,000
<\$1,300	\$650	\$520	\$390	\$260	\$130
\$1,301 - \$2,300	\$750	\$600	\$450	\$300	\$150
>\$2,301	\$850	\$680	\$510	\$340	\$170
	Minimum Tax Payable (deducted from rebate)				
	\$100	\$210	\$240	\$260	\$290
All eligible applicants have the option to defer the balance of tax due (less the minimum payable) or to make payment through a monthly payment plan.					

Note: Over the past five years, program participation has ranged from a high of 2,800 recipients in 2005-06 to just over 2,200 in 2008-09. In 2009-10, 2,270 households benefited from the program.

BUDGET IMPLICATIONS

The budget for M311-8005 in 2010-11 is \$1,486,400. Assuming \$25,000 is required for homes destroyed by fire, \$1,461,400 is available for the low income rebate program. Based on an estimated average rebate of \$529 per eligible household and an estimated 2,375 program participants, \$1,260,000 in funding will be required. The 2010-11 program budget could provide funding for approximately 2,760 tax exemption clients. Given recent economic times, this allows appropriate flexibility for an increase in successful applications.

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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.

COMMUNITY ENGAGEMENT

Community engagement was not deemed necessary to this update, since the process complies with previous Council decision on the annual incrementing of the low-income exemption/deferral programs.

In fact, this report plays a part in the program's public information plan which includes an annually-revised program guide, notices on tax bills, information availability on HRM's website and at customer service centres, as well as, direct mail outs to clients.

ALTERNATIVES

Not applicable. This is an Information Report only based on the current Residential Tax Exemption Program policy and procedures.

ATTACHMENTS

1. Table T. Household Income, Property Tax, Rebate Value and Minimum Payable, 2009-10.

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: Andre MacNeil, Financial Consultant, Tax & Fiscal Policy, HRM Finance

Report Approved by:



Bruce Fisher, Manager Tax & Fiscal Policy, HRM Finance.

Attachment 1.

Table 'T' Household Income, Property Tax, Rebate Value and Minimum Payable 2009-2010					
	Gross Household Income (before deductions)				
Tax Payable	\$0 - \$19,000	\$19,001- \$21, 500	\$21,501 - \$24,000	\$24,001 - \$26,500	\$26,501 - \$29,000
<\$1,200	\$650	\$520	\$390	\$260	\$130
\$1,201 - \$2,200	\$750	\$600	\$450	\$300	\$150
>\$2,201	\$850	\$680	\$510	\$340	\$170
	Minimum Tax Payable (deducted from rebate)				
	\$100	\$200	\$230	\$250	\$280
All eligible applicants have the option to defer the balance of tax due (less the minimum payable) or to make payment through a monthly payment plan.					