





Purpose of Framework

- **Considerable number of outstanding tax issues.**
- **Framework attempts to provide guidance to Council. Helps Council decide on policy.**
- **Helps ensure that advice from staff is consistent, all aspects of the debate are clearly explained, considered.**

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What the Framework is not

Not A New Tax Structure

- Not a structure in itself;
- Does not bind Council;
- Does not alter or freeze assessment.

Not a New Tax Policy

- The framework is not a tax policy, but could assist in developing a consistent approach to future tax policy

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Outstanding Tax Issues

- **Framework would help decide on:**
 - suburban-rural tax boundaries;
 - general (not area) rate for local community facilities capital;
 - higher condo assessments and incentives to increase density;
 - Street right-of-way charge (stormwater); and,
 - Deep stormwater systems.

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Outstanding Tax Issues

- **Framework is Not meant to help with:**
 - Commercial assessment averaging and Small Business Taxation (Audit and Finance)
 - “Eliminating Assessment as the basis for taxation” (Councillor Adams)
 - Audit and Finance to look at using the existing year’s revenues as basis for future year’s taxes.
 - Staff to return with report

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HRM's Current Structure

- **Based on Assessment**
 - as defined by Provincial legislation
 - Assessment is a proxy for wealth
- **Assessment is NOT a proxy for Services**
 - Services are reflected in market values but
 - Not the primary influence of market values
 - Market value is capped
- **HRM varies the tax rate for services**
 - Assessment stays the same and does not change

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How that Structure Developed

- **Four Municipal Tax Structures to One in 1997.**
 - Created Urban, Suburban, Rural Boundaries as a compromise.
 - **Urban** was higher for Sidewalks, Transit
 - **Suburban** and **Urban** both had Recreation, Fire, Streetlights, Crosswalk Guards.
 - **Rural** had to have area rates to pay for any of those extra services.

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How that Structure Changed

- **Four Municipal Tax Structures to One in 1997.**

- Created Urban, Suburban, Rural Boundaries as a compromise.

- **Urban** was higher for Sidewalks, ~~Transit~~

Transit Taxes Created in 2009

- **Suburban** and **Urban** both had Recreation, ~~Fire,~~

Fire, Streetlights
are general rated in 2003

~~Streetlights, Crosswalk Guards~~

Crosswalk Guards
are general rated in 2013

- **Rural** had to have area rates to pay for any of those extra services.

Urban/Suburban Boundary has been adjusted. But not the Rural Boundary.

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Lessons Learned

- **Services often benefit a wide range of properties.**

- Individuals benefit from more than just what's in front of their house.
- Eg Road Networks serve everyone
- Eg Police, Fire provide safety functions
- Eg Recreation can be accessed by many
- Eg Transit provides environment benefits, reduces traffic congestion, prevents expensive road widening

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Lessons Learned

- **Services often benefit a wide range of properties.**
 - Only in a few cases can we restrict someone from benefiting.
 - Eg, Water and Sewer lines connect to homes
 - Eg, Garbage Pick-up is at the property
 - The exact amount of benefit to a property is difficult to quantify.

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Lessons Learned

- **Services are rarely local or regional.**
 - Most have a component of local access but also have a regional nature.
 - Eg, Local roads connect into arterials
 - Eg, Police service in one area may stop crime from moving into other areas
 - Eg, Sidewalks may be used by people in a neighbourhood or by people walking through the neighbourhood. Or, the need was “caused” by traffic from outside the neighbourhood.
 - Some services are “private”.
 - Municipal government is about sharing costs to get better services.

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Lessons Learned

- **Variations in Tax Rates and Boundaries can cause confusion.**
 - Anytime there's a boundary, neighbours feel there is an inequity.
 - Clear and Consistent boundaries are critical (eg 1 km from a transit stop, Regional Planning boundaries).
 - Confusion can occur in how the service is provided.
 - eg sidewalks that abut the Urban-Suburban boundary

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Lessons Learned

- **Variations in Tax Rates and Boundaries can cause confusion.**
 - Difficult to do planning or bulk purchasing when there are multiple tax rates.
 - Eg Area Rates for Rural Fire Departments
- **Not all communities or taxpayers can equally afford the same services**
 - With area rates or user fees, some get because they can better afford.

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Lessons Learned

- **The Tax Structure needs to follow the Service.**
 - What is the Service Standard or Level.
 - Who gets it, When will they get it? Why?
 - Needs differ across the Region.
- **The Service should not be the result of the Tax Structure.**

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Proposed Framework

- **Consists of Five Parts:**
 1. Premise
 2. Key principle on Service Taxation
 3. Exceptions to the General Rate of Taxation
 4. Tax Relief for Economic, Financial and Income Issues
 5. Other Considerations

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Premise

- **Property Tax not fundamentally Service-based**
 - property values are a proxy for income
 - municipal services not a key driver of property values
- **Municipal Government about sharing of costs**
 - Needs differ, so equal services unlikely to be available everywhere
 - to the extent that all benefit, all should share in the cost

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Key Principle on Service Taxation

- **Tax Structure should follow Council's service standards and levels**
 - Where is the service and where will it be available?
 - Who will benefit, either directly or indirectly, from the service?
 - Who have caused a need for the service?
 - Is the service standard or level different than elsewhere?

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Exceptions to the General Rate of Tax

- **All services general rated except where a significant minority of taxpayers have :**
 - no practical access to a specific service.
 - access to a specific service that is unavailable elsewhere in the Region.

Council MAY levy an area rate

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Exceptions to the General Rate of Tax

- **no practical access to a specific service.**
 - Eg. Local Transit Tax applies to properties within 1km of a local transit service (ie #1 to 90, Community Transit).
 - Eg. Regional Transportation Tax applies to all properties within the Commutershed (ie. excludes east of Jeddore Harbour).
- **access to a specific service that is unavailable elsewhere in the Region.**
 - Eg. Local Recreation Rates with a flat amount per property

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Exceptions to the General Rate of Tax

- Where users have been previously excluded from paying for a service but now access the service,
 - Council may levy a tax, fee or charge for the existing capacity already paid for by other taxpayers or for the additional service capacity required
 - Eg. Local Improvement, or
 - Eg. Development Charges.

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Exceptions to the General Rate of Tax

- **All services general rated except where**
 - a service is used directly by a specific group or type of individuals and the Municipality has the ability to identify the users and restrict use of the service.
 - **Eg. Water, Sewer, Recreation Fees**

Council MAY levy user or other fees

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Exceptions to the General Rate of Tax

- **All services general rated except where**
 - a service is privately owned and the public has no or limited access, in which case any fee or tax collected on their behalf shall be fully levied on the users and/or owners.
 - Eg. Private Roads

Any expense SHALL be fully levied on users/owners

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Other Considerations

1. **Define each service broadly**
 - Don't tax various parts of a service inconsistently
2. **Exceptions should not be made on the basis of willingness to pay additional taxes;**
3. **Special taxes should not be created for**
 - amounts that are immaterial
 - as a guarantee for local fund raising;
4. **If HRM has acknowledged it is negligent**
 - remediation should be general-rated regardless of the service.

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Economic, Financial and Income Issues

- **When appropriate, tax relief**
 - For individuals or non-profit organizations of low or modest income.
 - To encourage or discourage certain behaviours, should it feel that the outcome would benefit the municipality as a whole.
 - Eg. Economic Strategy, Regional Plan

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Next Steps

- **Council to review/approve Framework or provide alternative direction**
- **Staff returns to COW with recommendations for outstanding taxation issues prior to 2014-15 budget**

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