



P.O. Box 1749
Halifax, Nova Scotia
B3J 3A5 Canada

Item No. 6
Halifax Regional Council
May 20, 2014

TO: Mayor Savage and Members of Halifax Regional Council

Original Signed by Director

SUBMITTED BY:

Greg Keefe, Director of Finance and ICT/CFO

DATE: April 25, 2014

SUBJECT: Residential Tax Exemption 2014-2015

INFORMATION REPORT

ORIGIN

On December 4, 2007, Regional Council approved indexing of the *Residential Tax Exemption Program*.

LEGISLATIVE AUTHORITY

HRM Charter Section 86 – Low Income Tax Exemption Policy;
Administrative Order 10 – Partial Tax Exemption for Residential Taxation.

HRM Charter Section 88 – By-law for Postponed Payment of Rates and Taxes;
By-Law T-700 – Tax Deferrals.

BACKGROUND

Using the exemption formulas in Administrative Order 10, the following exemption changes are required to update the exemption and deferral program for 2014:

1. The upper income eligibility threshold bracket will increase from \$31,000 to \$32,000.

The low-income cut-off scale for a 3-person household has increased to \$31,168; when rounded up to the nearest \$1,000, the threshold becomes \$32,000. This eligibility threshold applies to both the residential tax exemption and deferral programs. It is estimated that an additional 100 clients will be eligible to apply for the low-income rebate, based on the increased threshold.

The top of the lowest income range will remain at \$21,000.

2. The “reference rebate” will increase to \$850.

The “reference rebate”, calculated as 1/3rd of the average regional residential property tax in the prior year (2013), is the maximum “rebate” payable to those in the lowest income range and middle property tax bracket. In 2013, the average property tax, including area rates, was \$2,515 per single-family home.

3. Property tax brackets – see the left hand column of Table T, below – will increase by \$100, in line with average taxes in the municipality: \$2,515 per home, rounded up to \$2,600, sets the top of the middle property tax bracket.

DISCUSSION

The new Table ‘T’ for 2014-15 is shown below. For comparison, the Table ‘T’ for 2013-14 is included as **Attachment 1**.

Table ‘T’ Household Income, Property Tax, Rebate Value and Minimum Payable New Values for 2014-2015					
	Total Household Income				
Tax Payable	\$0 - \$21,000	\$21,001- \$23,750	\$23,751 - \$26,500	\$26,501 - \$29,250	\$29,251 - \$32,000
<\$1,600	\$750	\$600	\$450	\$300	\$150
\$1,601 - \$2,600	\$850	\$680	\$510	\$340	\$170
>\$2,601	\$950	\$760	\$570	\$380	\$190
	Minimum Tax Payable				
	\$110	\$220	\$250	\$280	\$310
All eligible applicants have the option to defer the balance of annual taxes or to make payment through a monthly payment plan.					

Over the past several years, program participation has ranged from a high of 2,800 recipients in 2005-06 to just over 2,200 in 2008-09. In 2013-14, more than 2,300 households benefitted from the program.

Program applications are currently accepted until March 31st of each fiscal year. However, the application deadline is under review and may change for the 2015-16 program.

Low-Income Homeowner Tax Exemption Program Statistics

Summary of Low-Income Homeowner Tax Exemption Program Activity			
Fiscal Year	# Clients*	Average Rebate**	Program Cost
2011-12	2,350	\$518	\$1,216,650
2012-13	2,236	\$547	\$1,223,500
2013-14	2,324	\$553	\$1,286,250

* the income eligibility threshold increased from \$30,000 (in 2012-13) to \$31,000 (in 2013-14)

** the "reference rebate" increased from \$750 (in 2011-12) to \$800 (in 2012-13)

The new income threshold of \$32,000 applies, equally, to the Low-Income Homeowner Tax Deferral program (By-Law T-700), which allows low-income homeowners to defer up to their full net annual tax bill, i.e. their annual tax bill less rebate.

Low-Income Homeowner Deferral Program Statistics

About 7% of those homeowners who received a partial tax exemption in 2013-14 opted to defer payment of the balance of their annual tax bill. Most often these deferrals are paid off when the home is sold. In cases when the homeowner's income increases, the deferral is paid back in installments. The current balance of all past deferrals, yet to be recovered, is approximately \$1.8 million.

Summary of Low-Income Homeowner Deferral Program Activity			
Fiscal Year	# Clients	Average Deferral	Total Deferred
2013-14	172	\$1,278	\$219,800
Total Cumulative Deferrals			
at April 1, 2014	375	\$4,826	\$1,809,650

FINANCIAL IMPLICATIONS

The budget for Residential Tax Exemptions (M311-8005) is \$1,335,000 for 2014-15. Based on an estimated average rebate of \$580 per eligible household and an increase in number of clients, the cost should be at least \$1.3 million and may exceed the approved budget. As such, staff will monitor the ongoing costs and will recommend changes to the approved budget or, through the quarterly projections, as appropriate.

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.

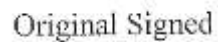
In fact, this report plays a part in the program's public information plan which includes an annually-revised program guide, notices on tax bills, information availability on HRM's website and at customer service centres, as well as, direct mail outs to clients.

ATTACHMENTS

1. Table 'T' Household Income, Property Tax, Rebate Value and Minimum Payable, 2013-14.

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, Sr. Financial Consultant, Financial Policy and Planning, Finance & ICT, 490-5529

Original Signed

Report Approved by:

Bruce Fisher, Manager Financial Policy and Planning, Finance & ICT, 490-4493

Attachment 1

Table 'T' Household Income, Property Tax, Rebate Value and Minimum Payable New Values for 2013-2014					
	Total Household Income				
Tax Payable	\$0 - \$21,000	\$21,001- \$23, 500	\$23,501 - \$26,000	\$26,001 - \$28,500	\$28,501 - \$31,000
<\$1,500	\$700	\$560	\$420	\$280	\$140
\$1,501 - \$2,500	\$800	\$640	\$480	\$320	\$160
>\$2,501	\$900	\$720	\$540	\$360	\$180
	Minimum Tax Payable				
	\$110	\$220	\$250	\$270	\$300
All eligible applicants have the option to defer the balance of annual taxes or to make payment through a monthly payment plan.					