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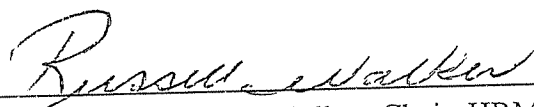
**Halifax Regional Council**

August 8<sup>th</sup>, 2006

September 5, 2006

September 12, 2006

**TO:** Mayor Kelly and Members of Halifax Regional Council

**SUBMITTED BY:**   
Deputy Mayor Russell Walker, Chair, HRM Grants Committee

**DATE:** July 13, 2006,

**SUBJECT:** Administrative Order 10: Partial Tax Exemption for Residential Homeowners - Revised Criteria for Residency

### ORIGIN

This report originates with staff of HRM Financial Services in response to changes to the Municipal Government Act (1996), Section 69A which provides municipalities the discretionary authority to provide a partial tax exemption in the event of full or partial destruction of property. Presently, under Administrative Order 10 a homeowner would be ineligible for a tax rebate when they do not reside on the property. The proposed amendments are intended to restore eligibility, for a period of one year, in the event of temporary re-location due to the destruction of property. This change is in accordance with the implicit intent of the legislation: to assist lower income homeowners facing financial hardship.

To guide staff in the consistent interpretation and application of policy detailed procedures are set out under separate cover in the program's Residential Tax Assistance Programs: Staff Guidebook (2006).

### RECOMMENDATION

It is recommended that :

1. Regional Council approve the revisions to Administrative Order 10 as detailed in the Discussion section of this report;
2. Approve implementation of the revised criteria for fiscal year 2006-07, effective April 1, 2006.

## BACKGROUND

In 2001, changes to the Municipal Government Act (1998) were passed by the Nova Scotia Legislature that authorizes municipalities, at their discretion, to grant partial tax relief on buildings destroyed by fire, storm or otherwise. During the course of a review of the implications of such a policy staff identified a need to revise Administrative Order 10 with respect to Section 2 (e) that sets out residency eligibility criteria.

Presently, the administrative order defines “residential property” as “...the building in which the owner or owners reside”. Further, clause 3 (ii) states that the “...applicant uses it [dwelling] for his or her principle residence”. Therefore, any temporary loss of residency due to the destruction of a dwelling would mean that the applicant was ineligible to apply for a tax rebate or tax deferral because they no longer reside on the premises. Staff recommend that Administrative Order 10 be revised so that homeowners forced to vacate their home due to partial or complete destruction due to fire, explosion or an acute weather event, ie. when the home has been declared uninhabitable, remain eligible to apply for municipal assistance, albeit at a reduced level as a consequence of a lower assessment value.

The proposed amendment does not allow for non-residency due to negligence (such as but not limited to poor maintenance, choice of building material, mould, poor design) environmental contamination, personal health condition, dispute, abandonment, or water/sewer malfunction. The proposed revisions also exclude loss of residency due to a criminal act on the part of the owner(s) such as arson. This is not a retroactive change to the Administrative Order and, if approved by Regional Council, would come into effect April 1, 2006.

Please Note: the recommendations contained in this report apply only to low income homeowners (<\$27,000) eligible for a rebate under the HRM *Residential Tax Rebate Program* and not to the public at large. Consideration of any prorated tax relief for property owners whose home is destroyed, and whose gross household income exceeds \$27,000, would be a separate program. Eligibility for any additional program might not be restricted by income or with a specified income range. Revised eligibility criteria for a tax deferral for low income homeowners has been recommended under By-law T-701.

## DISCUSSION

Presently, in the event that a dwelling was completely or partially destroyed by fire or an acute weather event to the extent that the owner could not inhabit the premises they would lose eligibility in the assistance program and receive \$0 rebate.

### **1. Eligibility for a Rebate:**

Staff recommend the addition of a new clause under Section 2, Definitions, to permit application for a rebate in the event that a homeowner must temporarily re-locate due to complete or partial destruction of their home by fire or an acute weather event. Section 3, Exemption, is also amended to provide for an appeal process should the homeowner not reside on the premises in excess of one year.

### **2. Value of Rebate:**

The value of rebate will be lower due to the decreased assessment value (and minimum payable) but nevertheless eligibility will be maintained at a time when financial costs are likely to increase. Typically, a revised assessment value will include the value of the land (including landscaping), infrastructure (water,

septic), and any remaining sub-structure such as a foundation.

*Example:* The property is assessed as residential and the value is \$150,000; \$100,000 for land and \$50,000 for the building. Taxes are \$1,200 a year (\$800 on the land and \$400 for the building). The owner's combined gross household income is \$22,000 a year and therefore eligible to apply for municipal tax assistance.

Using 2005-06 rebate levels, if the building were intact and occupied the owner would have received a rebate of \$300 based on taxes of \$1,200.

If the building is destroyed and uninhabitable the rebate would be calculated on a reduced value, for the sake of illustration the land value only would result in \$800 in property tax and therefore the rebate would be \$250.

#### **Right of Appeal:**

Staff recommend the eligibility for non-residency be limited to one (1) year but that an appeal process be included for persons unable to re-build or repair their home due to severe financial hardship or protracted insurance settlement. Discretion will need to be used so as not to inadvertently provide a dis-incentive to re-building or sale.

#### **Interpretation:**

To assist staff understand the intent and limitations of the proposed changes, and to apply them with consistency, the Residential Tax Assistance Programs: Staff Guidebook (2006) will be updated to include operational definitions for destruction by fire, explosion, or an acute weather event and detail specific exclusions.

#### **BUDGET IMPLICATIONS**

Staff anticipate that the budgetary impact of the proposed changes would be minimal in that persons otherwise disqualified from the program would be eligible to apply but the value of any rebate awarded would be lower due to the calculation of the rebate on a lower assessment/tax value.

#### **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. Regional Council could defeat the recommended changes and continue with the status quo.

This action is not recommended because the present eligibility criteria disenfranchise some homeowners who have not only lost their home but are (a) lower income and (b) will face higher property taxes if the home


is re-built and thereby re-assessed.

**ATTACHMENTS**


1. Revised Administrative Order 10 (changes highlighted in grey).
2. Appeal of Eligibility Application Form.

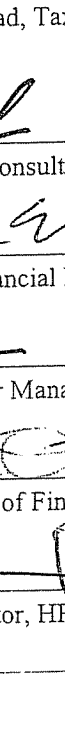
A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

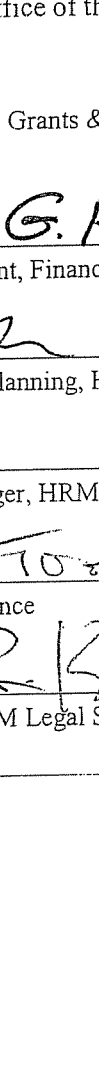
Report Prepared by: Peta-Jane Temple, Team Lead, Tax, Grants & Special Projects  
490-5469

Financial Review: *for:*   
Barb Palameter, Financial Consultant, Finance

*for:*  A. MacNeil  
Bruce Fisher, Manager, Financial Planning, HRM Finance

  
Catherine Sanderson, Senior Manager, HRM Financial Services

Report Approved by:   
Cathie O'Toole, A/Director of Finance

*for:*  R. Bingham  
Mary Ellen Donovan, Director, HRM Legal Services

Attachment 1.

**ADMINISTRATIVE ORDER 10**

**RESPECTING PARTIAL TAX EXEMPTION FOR RESIDENTIAL TAXATION**

**BE IT RESOLVED** as an Administrative Order of the Council of the Halifax Regional Municipality as follows:

**SHORT TITLE:**

1. This Administrative Order shall be cited as Administrative Order Number Ten, the Partial Tax Exemption Administrative Order.

**DEFINITIONS:**

1. In this Administrative Order
  - (a) "income" includes wages, salaries, emoluments, gratuities and honorariums arising from employment; fees, earnings and profits from any profession, trade, business or calling after deducting the expenses of earning the same; interest and dividends received directly or indirectly from shares, stocks, bonds, debentures, deposits, mortgages, agreements for sale, estates, loans and other investments; pensions, annuities, retiring allowance, compensation and similar income from any person, business, estate, insurance or other company, government or government agency wherever earned and includes
    - (i) all world income for deemed residents and for non-residents working outside of Canada; and
    - (ii) any owner withdrawals from a self-employed applicant;but does not include:
    - (i) an allowance paid pursuant to the War Veteran's Allowance Act (Canada)
    - (ii) a child tax benefit;
    - (iii) a GST or HST rebate;
    - (iv) an oil rebate;
    - (v) a pension paid to armed forces personnel pursuant to the

Pensions Act (Canada).

- (b) “deferral” means any portion of the property tax levied against a property, payment of which is deferred pursuant to Halifax Regional Municipality By-Law T-700, the Tax Deferral By-Law;
- (c) “exemption” means the amount by which taxes levied on a residential property are reduced pursuant to this Administrative Order;
- (d) “owner” means a registered title-holder named on the property deed at the Nova Scotia Registry of Deeds, and includes
  - (i) a part owner, joint owner, tenant in common or joint tenant of the property;
  - (ii) in the case of the absence or incapacity of the person having title to the property, a trustee, an executor, a guardian, an agent, an heir, or next of kin;
  - (iii) a person having the care or control of the property through adverse possession; or
  - (iv) a person with a life interest in the propertybut shall not include
  - (i) a trustee in bankruptcy; or
  - (ii) a corporation (other than a registered Canadian Charity).
- (e) “residential property” shall be the building in which the owner or owners reside and that portion of land assessed as Residential or Resource with Dwelling under the Assessment Act of Nova Scotia (1989), provided that in the case of property assessed under two or more assessment categories, any partial property tax exemption shall be calculated on the Residential assessment or Resource with Dwelling portion only, and property or land assessed as Commercial, Farmland, Resource, Forest, Residential Farmland, or Residential Forest shall not be deemed to be residential property.
- (f) “residency” shall mean that the dwelling is owner-occupied and serves as the owner's principal place of residence (their permanent “home”). In the event that the dwelling is deemed uninhabitable by HRM Fire & Emergency Services or the Nova Scotia Department of Health due to

complete or partial destruction by fire, explosion or an acute weather event and the owner must reside temporarily in another location during reconstruction, application may be made for a property tax rebate calculated on that portion of the Residential assessment that applies to the land and partial structure as applicable.

- i) Additional documentation shall be required to demonstrate that the destruction of the premises was due to fire, explosion or an acute weather event, that the dwelling is deemed uninhabitable or unsafe, and that destruction was not a consequence of a criminal act (such as arson).
- ii) Such consideration shall apply only to a residential dwelling and shall exclude ancillary buildings such as but not limited to a garage, greenhouse, workshop, storage shed, home office, recreational cottage, guest house, or a non-conforming structure.

#### EXEMPTION:

- 3. (a) A person may apply in writing to the Treasurer of the Municipality for exemption from the payment of taxes rated by the Municipality upon residential property within the Municipality for the year in which application is made, pursuant to Section 4 and such exemptions shall be allowed if the person or persons meet the following criteria;
  - (i) the property is assessed to the applicant;
  - (ii) the applicant is the owner of the property and uses it for his or her own principal residence;
  - (iii) the applicant's income together with the income of a spouse or other members of the household over the age of 18 does not exceed \$27,000 for the calendar year in which application is made.
- (b) An exemption will not be granted in respect of a second home, cottage or a rental unit of the applicant or a residential unit used solely to run a business.
- (c) If the applicant is a legally recognized trustee, guardian or executor who is not the beneficial owner, but is making application on behalf of the resident(s), the applicant will be required to submit proof of their status and proof of income of the beneficiary pursuant to Section 5.

- (d) Eligibility awarded under Section 2(f) shall be for a period of one (1) year.
- (e) If after one (1) year the owner has not re-built, sold or disposed of the property and wishes to remain eligible for a partial tax exemption they may appeal in writing to the Treasurer of the Municipality. Consideration of an appeal shall be on the basis of (a) an unreasonable delay in re-construction due to financial hardship or (b) insurance settlement.

**AMOUNT OF EXEMPTION:**

- 4. (1) When the income of the person, spouse and other household members over the age of 18 combined is
  - (a) not more than \$17,000 and the tax rated is less than \$1,000 for the year the exemption granted shall not exceed \$500.
  - (b) not more than \$17,000 and the tax rated is between \$1,000 and \$2,000 for the year the exemption granted shall not exceed \$600.
  - (c) not more than \$17,000 and the tax rated is over \$2,000 for the year the exemption granted shall not exceed \$700.
  - (d) between \$17,001 and \$19,000 and the tax rated is less than \$1,000 for the year the exemption granted shall not exceed \$400.
  - (e) between \$17,001 and \$19,000 and the tax rated is between \$1,000 and \$2,000 for the year the exemption granted shall not exceed \$500.
  - (f) between \$17,001 and \$19,000 and the tax rated is over \$2,000 for the year the exemption granted shall not exceed \$600.
  - (g) between \$19,001 and \$21,000 and the tax rated is less than \$1,000 for the year the exemption granted shall not exceed \$300.
  - (h) between \$19,001 and \$21,000 and the tax rated is between \$1,000 and \$2,000 for the year the exemption granted shall not exceed \$400.
  - (i) between \$19,001 and \$21,000 and the tax rated is over \$2,000 for the year the exemption granted shall not exceed \$500.
  - (j) between \$21,001 and \$23,000 and the tax rated is less than \$1,000 for the year the exemption granted shall not exceed \$250.



- (k) between \$21,001 and \$23,000 and the tax rated is between \$1,000 and \$2,000 for the year the exemption granted shall not exceed \$300.
  - (l) between \$21,001 and \$23,000 and the tax rated is over \$2,000 for the year the exemption granted shall not exceed \$350.
  - (m) between \$23,001 and \$25,000 and the tax rated is less than \$1,000 for the year the exemption granted shall not exceed \$150.
  - (n) between \$23,001 and \$25,000 and the tax rated is between \$1,000 and \$2,000 for the year the exemption granted shall not exceed \$200.
  - (o) between \$23,001 and \$25,000 and the tax rated is over \$2,000 for the year the exemption granted shall not exceed \$250.
  - (p) between \$25,001 and \$27,000 and the tax rated is less than \$1,000 for the year the exemption granted shall not exceed \$50.
  - (q) between \$25,001 and \$27,000 and the tax rated is between \$1,000 and \$2,000 for the year the exemption granted shall not exceed \$100.
  - (r) between \$25,001 and \$27,000 and the tax rated is over \$2,000 for the year the exemption granted shall not exceed \$150.
- (2) Tax exemptions granted pursuant to clause (a), (b) and (c) of sub-section (1) shall not reduce the tax payable on a property in the year of the application to less than \$100 and tax exemptions granted pursuant to clauses (d) to (r) of sub-section (1) shall not reduce the tax payable on a property in the year of the application to less than \$200.
- (3) In the event of an application made by a residential property owner temporarily displaced from their home due to complete or partial destruction by fire, explosion or an acute weather event, the value of any tax rebate shall be calculated using only the value of the land and partial structure as applicable.

#### APPLICATION FORM:

5. All applications made to the Treasurer on the application form prescribed by the Treasurer and shall contain proof to the satisfaction of the Treasurer that the application has met the conditions required to be granted an exemption, including proof of income from the prior year from Canada Customs and

Revenue Agency and where the applicant is self-employed, both the Canada Customs and Revenue Agency business statement and the applicant's personal income tax statement.

**DEADLINE FOR APPLICATION:**

6. An application for exemption for a fiscal year shall be submitted by December 31<sup>st</sup> of that fiscal year and **no application shall be made for a retro-active exemption.**

**EXEMPTION AND DEFERRAL ALLOWED:**

7. Nothing in this Administrative Order prohibits an applicant from being granted an exemption pursuant to this Administrative Order as well as a deferral pursuant to By-Law T-700 and subject to the terms and conditions therein in respect of the same fiscal period.

**REPEAL:**

8. Administrative Order Number Ten dated the 18<sup>th</sup> day of December, 2001 and any amendments thereto are hereby repealed.

Done and passed in Council this [ ] day of August, 2006.

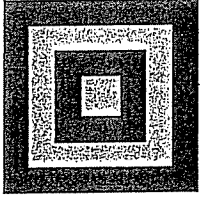
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**MAYOR**

I, Jan Gibson, Municipal Clerk of Halifax Regional Municipality, hereby certify that the above noted Administrative Order was passed by a meeting of Halifax Regional Council held on .

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Jan Gibson, Municipal Clerk



**Residential Property Tax Exemption Program,  
Residential Property Tax Deferral Program and  
Deferral of Local Improvement Charges Program  
2006-2007**



PO Box 1749  
Halifax, Nova Scotia  
B3J 3A5 Canada

**Eligibility Appeal: Non-Residency Due to Destruction of Property**

Assessment Account Number: (on your tax bill)	Customer Number: (on your tax bill)
Name of Applicant(s):	Telephone Number: (902)
Property Location: (civic address)	Mailing Address: (if different from the civic address)
Date of Property Destruction:	
Cause of Destruction: <input type="checkbox"/> Fire <input type="checkbox"/> Explosion <input type="checkbox"/> Acute Weather Event (eg. hurricane, tornado, blizzard, wind storm)	

Briefly explain what destroyed your home and attach support information from your insurance agent, contractor, etc.:

I/we hereby request eligibility be granted for a property tax rebate or tax deferral while I am unable to live in my home during re-construction and must temporarily reside at another location. I understand this appeal is for a period of 1 (one) year. I declare that the information provided by me is true and correct to the best of my knowledge.

Signature(s) \_\_\_\_\_ Date \_\_\_\_\_

<b>Office Use Only</b>	
Months remaining in tax year after property loss (pro-rated value of rebate or deferral):	months
Adjusted value of rebate or deferral:	\$