

# Halifax Needs to Change the Tax System

Report of the Tax Reform Committee  
to Regional Council  
June 23, 2009

## Outline

- Introduction by Tax Reform Committee Chair
- Overview
  - Council's Process
- The Status Quo Must Change
  - Taxpayers are unable to see Value for their Tax Money
  - The Tax System is unnecessarily hurting many Taxpayers including low and middle income taxpayers
  - The Tax System presents a growing threat to the Halifax economy
- “Go” or “No Go” Decision Required from Council
  - Recommendation



## Overview

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### The Regional Plan and Tax Reform

- Commitment during the 2005-2006 Budget to return with research on Tax Reform.
- Finance Functional Plan to focus on Tax Reform
  - services available to the community
  - a competitive taxation environment,
  - relationship between tax burden and the ability to pay
- In October of 2006 Staff returned with 4 options for approaching Tax Reform

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October 3, 2006 -- Council chooses to  
"Rebuild Foundations" of the Tax System

**Options:**

1. **Steady Ahead**

2. **Address Specific  
Issues**

3. **↑ Flexibility &  
↑ Stability**

4. **Examine/Replace  
Foundations**

- **Scope**
  - Redesign the tax system, so that it will do what we want it to do.
- **Impact**
  - HRM will understand "why" we are taxing as we do;
  - All taxpayers could be affected, depending on public and Council desire for alternatives/change.
- **Process**
  - Steering Committee directs staff on project and community consultation strategy;
  - Significant public involvement.

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## Council Decisions

- October 2006 – Council approves terms of reference for TRC.
- "Council Focus Areas" include Taxation for 2006-07, 2007-08 and 2008-09
- Council approves 2 sets of public consultations on Tax Reform:
  - Extensive media advertising
  - Extensive information available (printed and on web)
  - Workshops and open houses have strong attendance
  - Considerable number of emails, letters, phone calls
  - Four surveys undertaken since 2005-06

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## Readiness for Change

- Recent Transit Tax Debate
  - Council approved in principle to remove from assessment, but in the end still used assessment
    - Used some Tax Reform concepts
    - Only a one year interim solution, review for 2010-11
  - Some didn't want "piecemeal" approach to Tax Reform
  - District impact info was confusing, counterproductive
  - Suggestion that a workshop might have helped.
- Debate was elevated, expectation TRC report should be forthcoming
  - Citizens want work validated and resolution to reform issue

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## "Go" or "No Go" Decision Required from Council

- **Go**
  - September Workshop to prepare
  - Debate starts on
    - What to Change to .... Service Based tax
    - When to Implement .... Phased in starting in 2010-2011
- **No Go**
  - Wind-Up Tax Reform process
    - Dissolve Tax Reform Committee

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**Taxpayers are unable  
to see Value for  
their Tax Money**

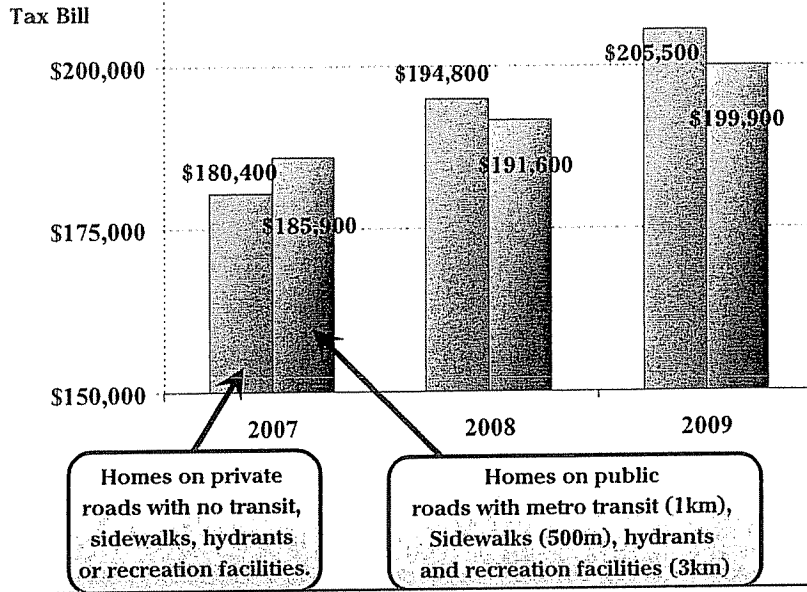
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The Assessment System doesn't  
reflect services

- Municipal services are not a significant factor in determining assessed values
  - Homes with weak services can have higher values than those with strong municipal services
  - Assessments rise even when services aren't changing
  - Taxes collected often don't show the full cost of providing the service

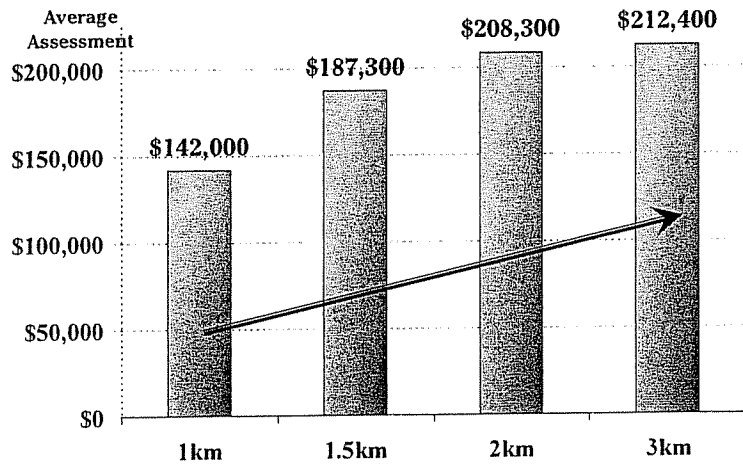
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### The Fewer Services you have, the Higher your Assessment ?



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### Rural and Suburban Home Values Increase the Farther you are from a Transit Stop



2008 Assessed Values for Single Family Homes in the Suburban and Rural Areas

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**The Tax System is  
unnecessarily hurting  
many Taxpayers**

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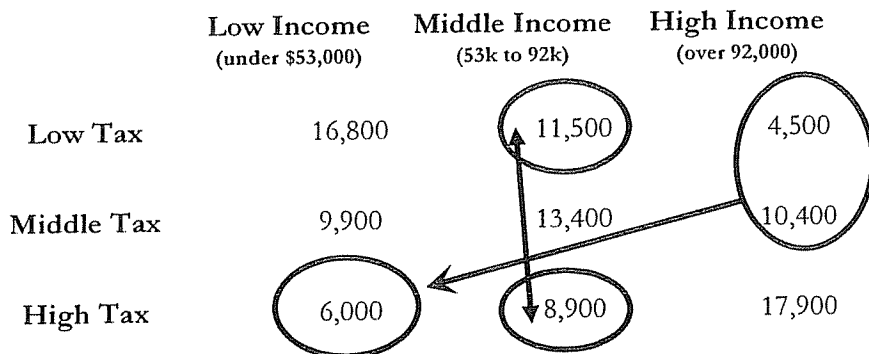
## Assessment is meant to be a Wealth Tax

- Assessment started in Nova Scotia in 1882
  - Originally seen as a proxy for wealth or ability to pay
- Economy of 1880s was very different from today.
  - Assessment is now a tax on “paper wealth”
- Research confirms there is no link between income and home values.
  - Relationship between income and home value is only 22%. (Possible range of 0% to 100%).
  - Assessment Cap (on CPI) may distort this more

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## In HRM, There is no Relationship Between Income and Home Values

(2007) - Number of Taxpayers



Based on 2006 Home Values and Household Income (from StatsCan's 2006 Census) for owner-occupied homes. Low Tax is defined as under \$157,000 in home value; Middle Tax as between \$157,000 and \$225,000 home value; High Tax as over \$200,000 in home values

The link between income and home values is 22% out of 100%.

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## Assessed value are causing major inequities in tax bills

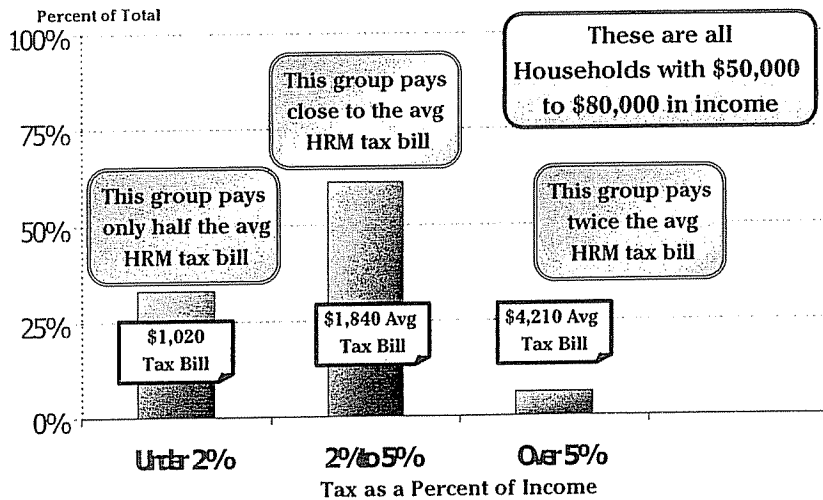
- Almost 3/4 of those on the Low Income Rebate pay out more than 5% of income to property tax
- Many high income earners have low assessments
  - Almost half have average or below average tax bills
- The Middle income ranges include those with very low and very high bills
  - One-Third pay less than \$1,200
  - 10% pay over \$3,000

Low Income rebate amounts are for 2008. High and Middle income amounts are based on 2005 Home Values and Household Income (from StatsCan's 2006 Census) for owner-occupied homes. Property tax is based on an average of all property tax rates for 2006

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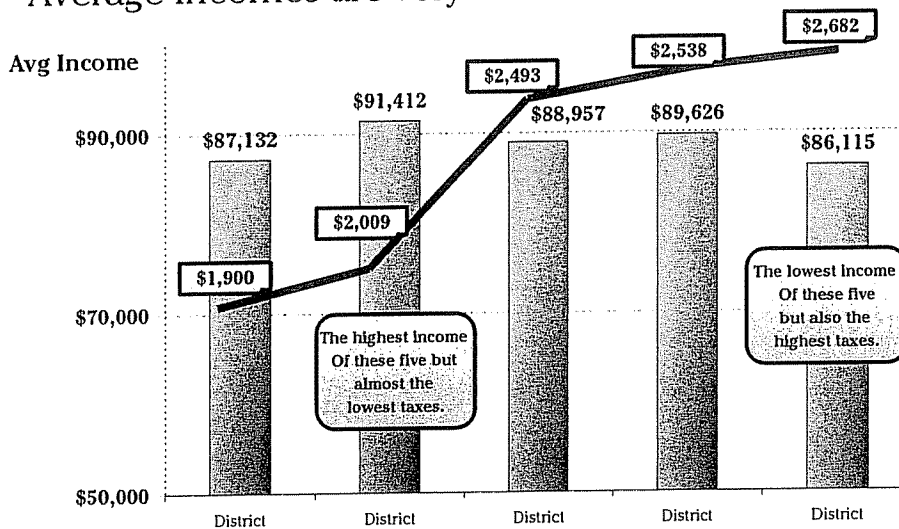
## Using Assessment hurts Middle Income Taxpayers



Based on 2006 Home Values and Household Income (from StatsCan's 2006 Census) for owner-occupied homes. Property tax is the 2007 average for that income grouping and are based on 2006 general rated taxes (municipal and provincial) for a single family home.

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## Property Tax in Areas with Similar Average Incomes are very Different



Based on 2006 Home Values and Household Income (from StatsCan's 2006 Census) for owner-occupied homes. Property tax is the 2007 average for general rated taxes (municipal and provincial) for a single family home.

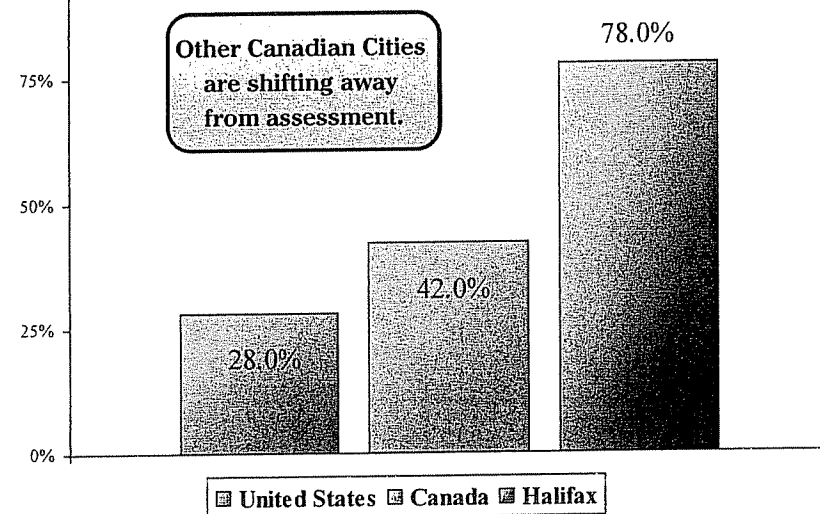
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**The Tax System  
presents a Growing Threat  
to the Halifax  
Economy**

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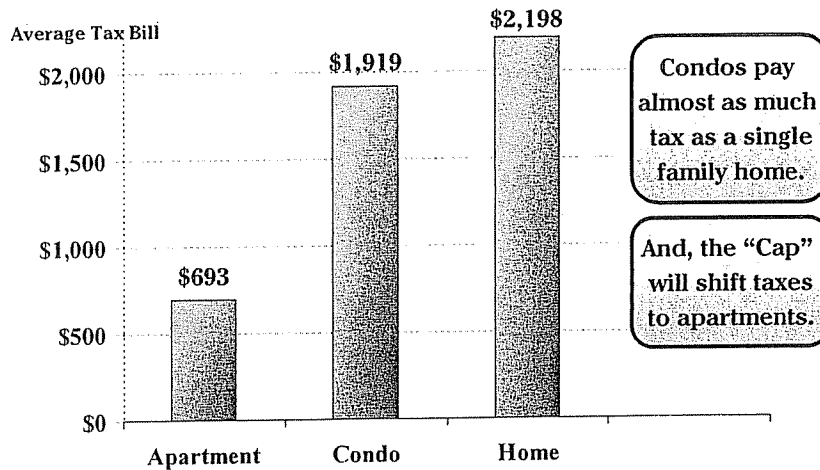
**There is a Risk to HRM's Dependence  
on Assessment**

Percent of Total Revenues from Assessment



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## Council's Regional Plan supports compact development, but ...

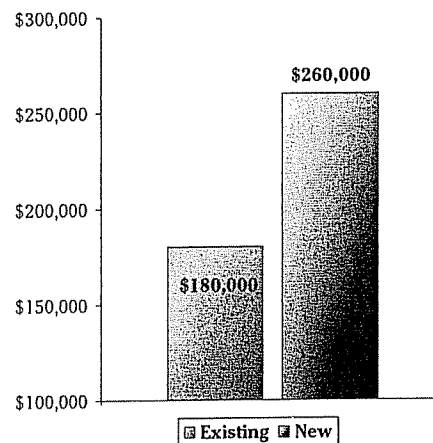


Note: 2009 average property taxes (Municipal general tax rates and Provincial area rates). Apartments is the average for those with 6 units or more.

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## New Homes are Discriminated Against

- New Homes, Construction, Sales and Apartments are not capped.
- In 2009 New Homes have assessed values almost 50% higher than existing homes.
- This trend will continue!



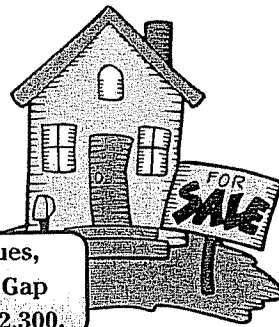
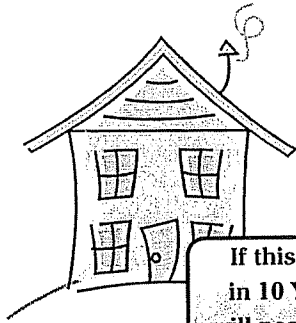
Note: 2009 average assessment for a single family home (including condos). The "existing" average is for homes that were on the tax roll in 2008 as a single dwelling unit.

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## The Tax Gap between Existing and New Homes is \$800 and Widening

An **EXISTING** home  
has an average  
tax bill of **\$2,100**

A **NEW** home  
has an average  
tax bill of **\$2,900**



If this trend continues,  
in 10 Years the Tax Gap  
will nearly triple to **\$2,300.**

Based on new and existing homes for 2009 using the Municipal General Tax Rate and the Provincial Area Rates. The 10 year trend is based on a continuation of the trend in the last five tax years.

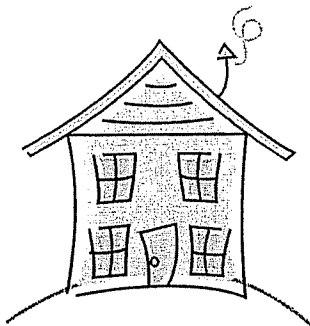
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## In the future, those buying a home will face a higher tax burden, this includes ...

Younger  
people and  
newcomers

Older  
individuals  
that are  
Downsizing

Those  
building  
or renovating



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## Conclusions

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We've Concluded the Status Quo  
can no longer be maintained

- Taxpayers are unable to see Value for their Tax Money
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## If it's a "Go" Decision

- Council will need to decide
  - 1) How much of assessment to replace
  - 2) What tools will replace assessment
  - 3) How quickly new tools can be phased in
  - 4) What type and amount of support will be provided to low and middle income taxpayers

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## Recommendation by Tax Reform Committee

- *The current property tax system no longer reflects ability to pay and that Council commit to move off of assessment-based residential property tax*

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- *Council confirm that it supports taxation that reflects the recovery of the cost of providing municipal services, ability to pay and supports the following taxation principles:*
  - *Equity, Economic Competitiveness, Efficiency, Respect for other Governments, Simplicity, Stability, Transparency and Accountability*

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- *Council instruct the Tax Reform Committee to undertake a complete review of commercial taxation under the following broad categories*
  - *The relationship between the commercial and residential rates of taxation*
  - *Taxation within the commercial sector to determine whether there should be a redistribution of commercial taxation*

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  - *Hold an information workshop for Council on those recommendations, prior to the COW debate*

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**Go or No Go ?**

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