



# Rebuilding the Municipal Tax System in HRM

Regional Council's Tax Reform Initiative  
Committee of the Whole, August 8, 2006

# Outline

- Background and Issues
- What is the Philosophy for the Tax System?
- What do other Cities do?
- What Can We Conclude?
- Approaches to Tax Reform

# Background

- First proposed in 2004 by Council
- Reviewed in 2005 and COW Focus Areas
- Progress:
  - Discussions undertaken with Province
  - Regional Plan complete
  - Extensive Research includes
    - Survey
    - Comparative information from other cities
    - Preparation for Consultations
- Key Decision Point on how to proceed

# Issues with the Tax System

- Rapidly rising market values, unrelated to municipal services or income levels
- Resources shifted to fund mandatory education
- Issues surrounding urban, suburban and rural taxation and services (eg boundaries)
- Need to encourage growth and development
  - Stronger connection to the Regional Plan
- Unclear philosophy/ long term objectives
  - Limited sensitivity to ability to pay
  - Weak connection between taxes and services
  - Requirement for a competitive taxation regime

# What is our Philosophy for the Tax System?

- Based on Ability to Pay
- Based on Services
  - Level of Services
  - Cost to Provide Services
    - Does everyone share in all costs, or do Households pay for only their own services
- Combination of the above
  - What is the right balance?
- Other

# What is the Philosophy?

## Tax by Type of Property

### Distribution of Residential Taxpayers by Size of Tax Bill and Type of Property

	Single Unit (Excluding Condos)	Condos	Two to Three Units	Apartments	Land
<b>Distribution</b>					
Under \$1,000	16,652	1,863	348	26	11,887
\$1,000 to \$2,000	50,239	4,284	3,353	257	526
\$2,000 to \$3,000	20,157	1,455	2,138	373	104
\$3,000 to \$6,000	8,310	562	1,153	549	93
Over \$6,000	909	33	85	818	74
<b>Total</b>	<b>96,267</b>	<b>8,197</b>	<b>7,078</b>	<b>2,023</b>	<b>12,758</b>
Average Tax per Dwelling Unit	\$1,804	\$1,640	\$1,057	\$576	na
Average Tax per Property	\$1,804	\$1,640	\$2,256	\$13,674	\$430

# What is the Philosophy?

## Tax by Area

### Distribution of Residential Taxpayers by Size of Tax Bill and Land Planning Area (All Properties)

	Urban and Harbour	Rural Commuter Shed	Resource and Agriculture
<b>Distribution</b>			
Under \$1,000	2,954	5,437	4,517
\$1,000 to \$2,000	37,482	14,229	1,634
\$2,000 to \$3,000	16,249	5,697	278
\$3,000 to \$6,000	7,909	1,899	78
Over \$6,000	1,629	143	6
<b>Total</b>	<b>66,224</b>	<b>27,405</b>	<b>6,513</b>
Average Tax per Dwelling Unit	\$1,355	\$1,648	\$829
Average Tax per Property	\$2,421	\$1,710	\$858

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Note: Totals includes accounts that could not be allocated by area.

# What is the Philosophy?

Tax by total Household Income (2000 Census)

	Income under \$47,000	Middle Income	High Income (over \$77,400)
Low Tax Bill (under \$1,100)	15,200	9,900	4,100
Medium Tax Bill (\$1,100- \$1,600)	9,500	12,800	10,200
High Tax Bill (over \$1,600)	5,000	7,000	15,400

**Weak Correlation between Income and  
Assessment! ( $R^2$  of 27%.)**



# What is the Philosophy?

- Survey results show that
  - 77% of respondents support a system based on "Services"
  - 59% support a system based on "Ability to Pay"
- Residents surveyed felt:
  - all should share in the cost of municipal services but
  - those who receive more services should pay more

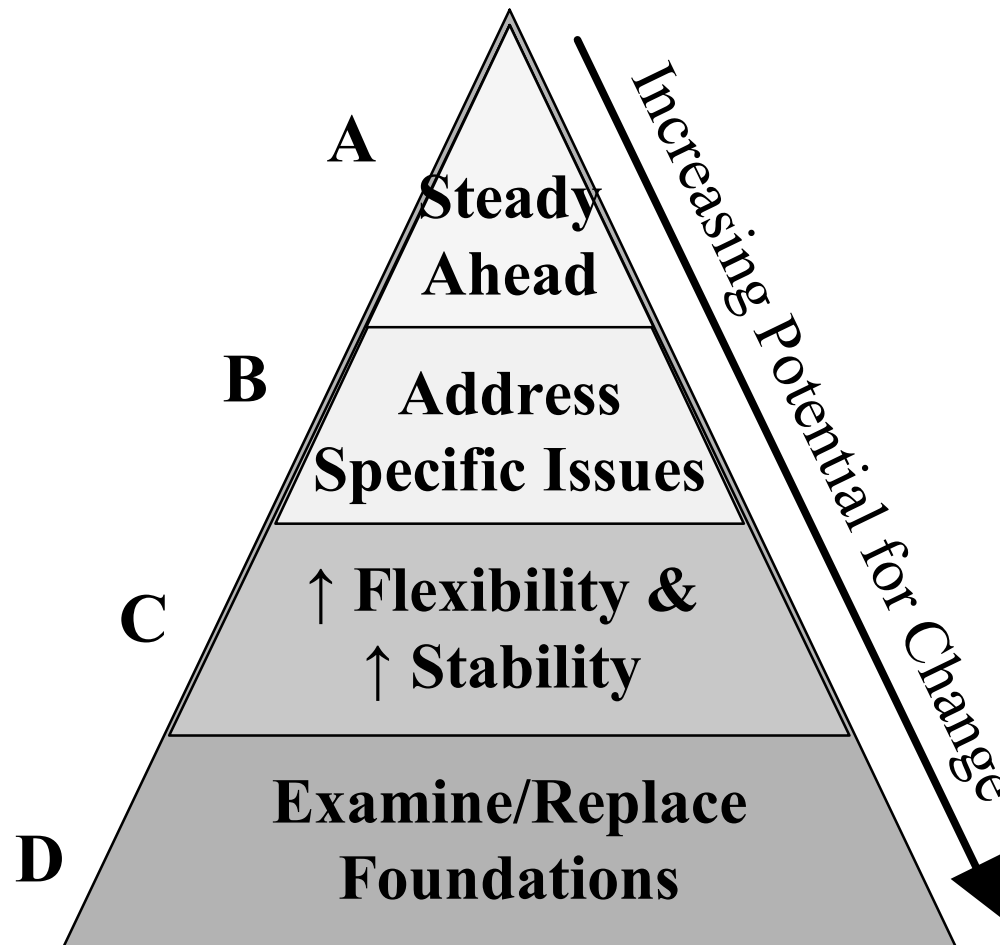
# What do other Cities do?

- Canada
  - Market Value Assessment
- United States
  - Market Value or Acquisition Value
  - Income and Sales Tax
- Europe
  - Market Value Assessment
  - Income, Wealth, Capital Gains
- Australia, New Zealand
  - Property Taxes
  - Gas Tax, User Fees

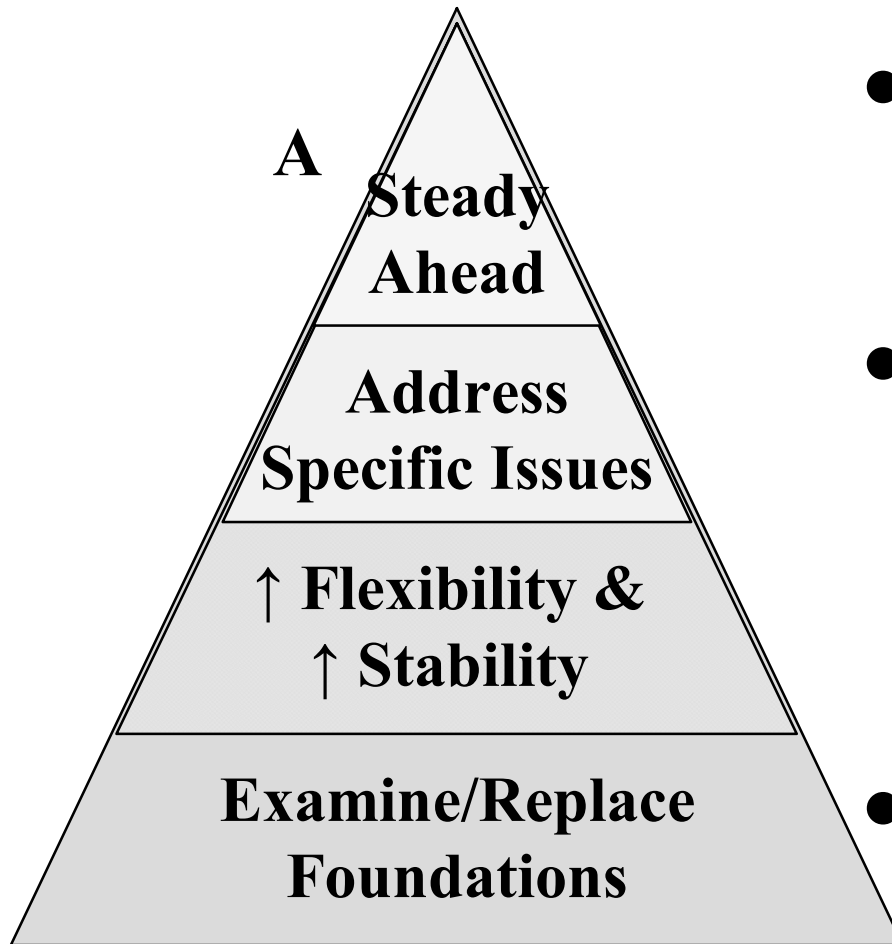
# What Can We Conclude?

- Staff have identified 25 different types of tools/taxes. Includes:
  - Frontage
  - Dwelling Unit Charges
  - Property/Lot Charges
  - User Fees
  - Low/middle Income Rebates, credits etc....
- The greater the reform:
  - The more wide-reaching the impact on taxpayers.
  - Some taxpayers will pay more!
  - The greater the need for consultations and Council involvement early on.

# Approaches to Tax Reform

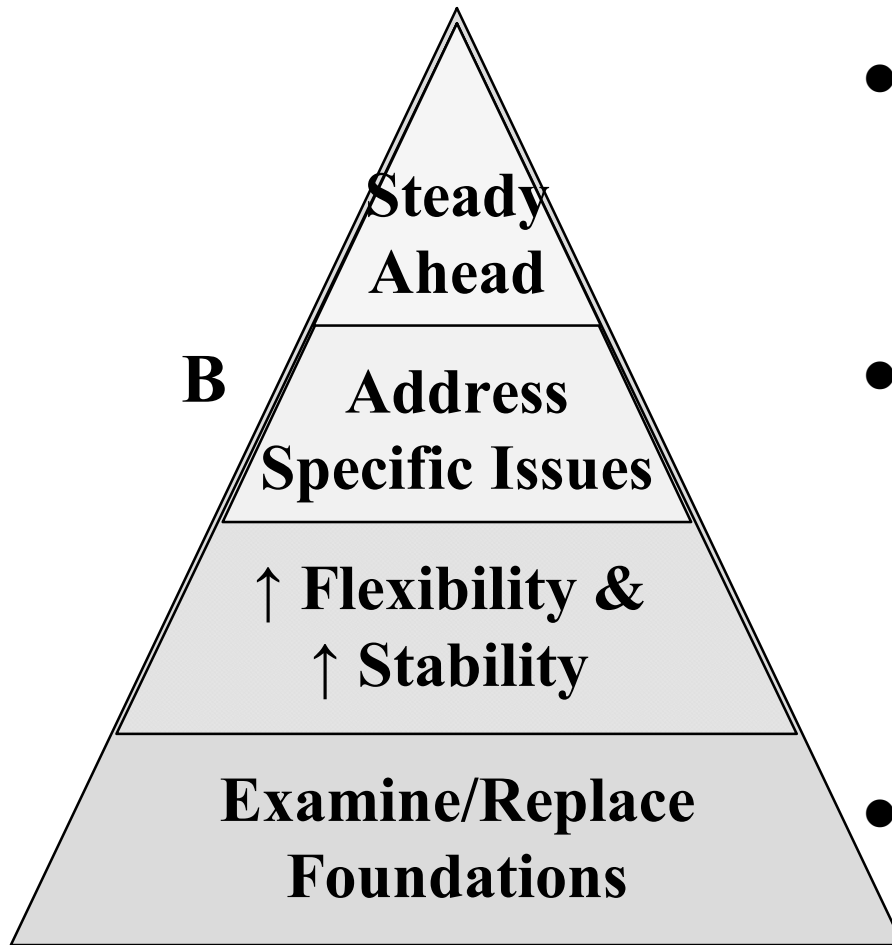


# Level A - Steady Ahead



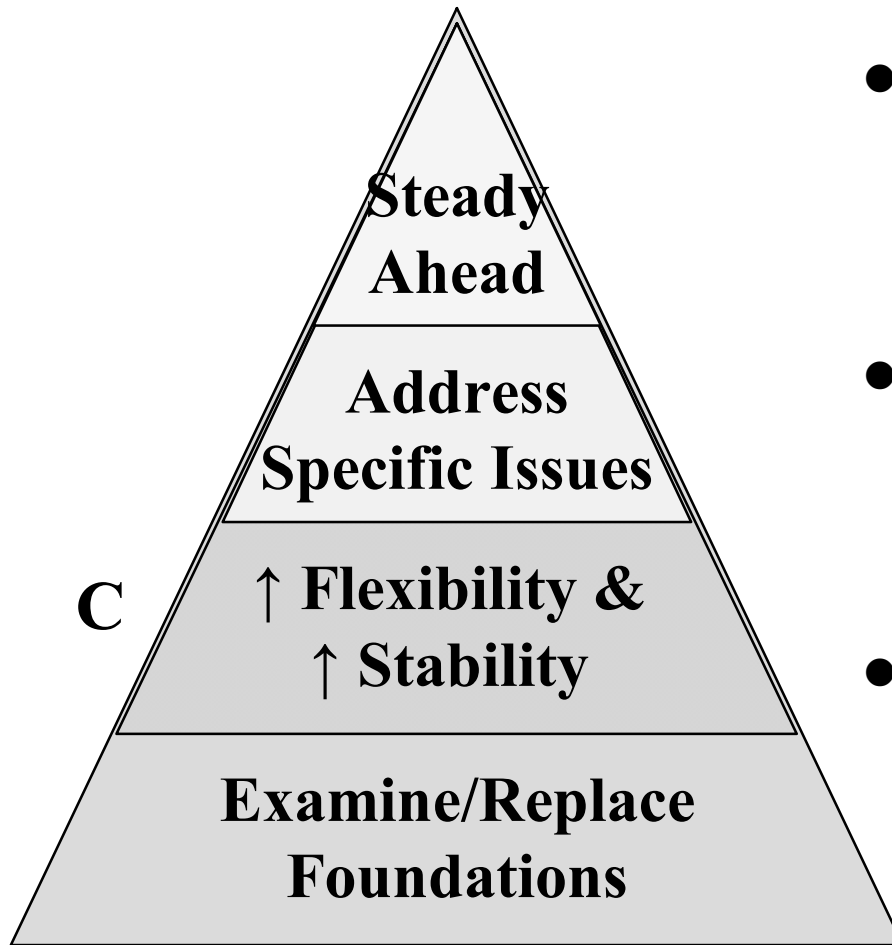
- **Scope**
  - No changes to tax structure
- **Impact**
  - Current tax issues remain
  - Market value impacts limited only by provincial assessment cap
- **Process**
  - Annual review of tax rates

# Level B – Address Today's Issues



- **Scope**
  - Review boundaries and tax rates for transit/roads, sidewalks and recreation.
- **Impact**
  - May change how specific services are taxed;
  - Could create modest shifts in taxes of residents who receive or benefit from these services.
- **Process**
  - Staff Working Group develops options for Council review.

# Level C – Long Term Stability



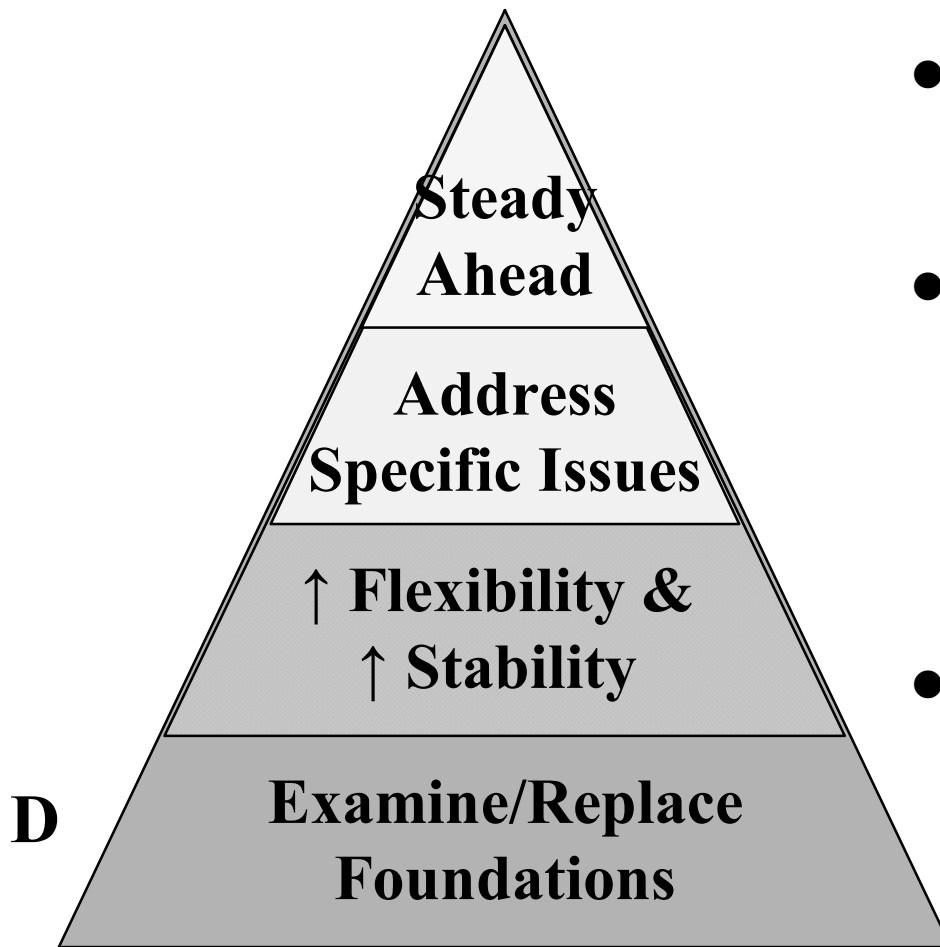
- **Scope**
  - Identify options to reduce reliance on market value assessment.
- **Impact**
  - Would affect majority of taxpayers; a minority could see significant changes, up or down.
- **Process**
  - Advisory Committee works with staff to develop options;
  - Significant public consultations at some point.

# Example of Flexibility and Sustainability

- Current System:
  - General Tax Rate of \$1.228.
- Reformed System:
  - 10% of services recovered from Dwelling Unit and Property charge
  - Other 90% of services recovered through assessment system



# Level D – Rebuild 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.

# Example of Rebuilding Foundations

- Current System:
  - General Tax Rate of \$1.228.
- Reformed System:
  - Provincial Services (24%) - Tax Rate on Assessment
  - Local Road Services (10%) - Frontage
  - Other Municipal Services (66%) - Dwelling Unit and Property charge
  - Enhanced Tax Rebates (Low/Middle Income)

# Approaches to Reform

Level	Scope	Impact	Process
<b>Steady Ahead</b>	<b>Move forward, adjusting rates, much as we have over past few years.</b>	<b>Current tax issues remain; no change to tax system.</b>	<b>No new process; rates are reviewed during budget cycle.</b>
<b>Address Specific Issues</b>	<b>Review boundaries and taxes for transit, roads, sidewalks and recreation.</b>	<b>Modest swings for some residents; no change to market value assessment.</b>	<b>Staff Working Group would take specific options to Council.</b>
<b>↑ Flexibility &amp; ↑ Stability</b>	<b>Identify ways to reduce dependence on market value assessment.</b>	<b>Noticeable changes for many taxpayers; a minority may see significant shifts.</b>	<b>Advisory Committee works with staff to create options for public consultation.</b>
<b>Rebuild Tax Foundations</b>	<b>Redesign the tax system, so it may accomplish what we want it to do.</b>	<b>All taxpayers likely affected; new purpose or direction for tax system may result.</b>	<b>Council Steering Committee advises staff on direction and community consultation strategy.</b>

# Recommendations

- Rebuild Tax Foundations
  - Approach consistent with COW Focus Areas, Regional Plan
  - Appoint Councillors to Steering Committee
  - Council Steering Committee to
    - Provide direction to project
    - Review public consultations plan