



The current municipal taxation system is a mess, totally unfair, and getting worse ! Something must be done !

Executive Summary

Residential condominium units are unfairly taxed when compared to other comparable residential units.

A recent paper prepared by the Nova Scotia Chapter of the Canadian Condominium Institute (CCI) and the Condominium Owners of Nova Scotia (CONS) demonstrates that taxes on condominiums are 58-95% higher than comparable apartments even though the services required from the municipality are the same. That is wrong. CCI and CONS organized two three hour long workshops to provide a venue to fully discuss and understand the issues and to prepare a strategy for dealing with taxation concerns.

The Workshop produced a vision, a statement describing the preferred tax system:

"We see a taxation system, based on payment for cost of services received, that is fair and equitable while recognizing ability to pay. The efficient system results in healthy and sustainable communities while encouraging compact development and economic growth. New sources of revenue are made available to municipalities."

While examining the difference in taxation between condominiums and apartments it became clear that there was a broader issue that needed to be addressed namely, **fair taxation** for all.

The current tax system is not working and is getting more out of balance each year.

There must be a thorough review of the current tax system and, to do this effectively, the workshop concluded that CCI and CONS should search out and work with other concerned stakeholders to force a review of the system.

Other levels of government must be drawn into the discussions and municipalities must be given access to other sources of revenue.

CCI and CONS are committed to working toward achieving this vision!

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1.0 THE TAXATION STRUCTURE AND HOW IT WORKS

There are two major elements to the property taxation structure, namely, assessment and the tax rate. Every property in Nova Scotia is given or assigned an assessed value by the Property Value Service Corporation (PVSC). The PVSC is a municipally-owned, not-for-profit corporation that determines the market value of properties as legislated by the Assessment Act. Every municipality in the Province is a member of the Corporation.

Condominiums are assessed on the basis of market value according to recent sales - thus assessments keep appreciating. Market value for apartments is based on revenue and depreciation is allowed. The result - assessments go up for condos and down for apartments and the assessment gap widens.

The tax rate is set by each municipal council. The council may set a residential rate and a commercial rate which are different. The amount of taxes levied against a property is calculated by multiplying the tax rate by the property assessment. The residential rate is used for both condos and apartments thus the tax bills are higher for condos.

Another issue is that delivery of services to a 50 unit condominium or apartment building is more cost efficient than delivery of those same services to 50 single detached homes. Yet condominiums are assessed and taxed the same as single family homes. There is no recognition of the efficiency of serving multi-unit buildings as compared to single family homes.

2.0 HRM TAXATION PAPER

Halifax Regional Municipality (HRM) Council established a Tax Reform Committee in January of 2007 to study the taxation structure in the Municipality. Their first report entitled "Creating a Modern Property Tax System for Halifax" , issued on March 18th, 2008 recognized this variation in taxes paid:

"There are variations in tax burden among different types of properties that have no apparent rational. For instance condos pay higher taxes than apartment buildings even though services are very similar and both are cost-efficient to service."

The report also recognized the reality that it is more efficient to serve multi-unit buildings as compared to single family homes:

"Municipal services can be provided more efficiently to larger multi-unit buildings (such as condominiums and apartments) than to less dense forms of housing. However, a municipal tax system based on property values does not recognize this."

The Mission Statement developed by the Tax reform Committee described the proposed tax system as:

"Linking taxes and fees for services to those who derive the greatest benefit at the individual, community and regional level, and, considering the ability to pay."

The report went on to say:

"For most types of residential tax payers, the system will be relatively simple and comparable to that for single family homes. For Multi-Unit Buildings (such as most condos and apartments) there are two key differences. First, such properties will pay the charge for hydrants and local roads only once per building, regardless of the number of dwellings in the building. This recognizes that service is provided to the building only once, hence making such properties far more cost-efficient for the municipality to service."

The report continued:

"Secondly, other types of services will be paid for by each unit at 60% of the normal rate. This recognizes that it is more efficient for the municipality to service such properties. As with all taxpayers, only those receiving solid waste will pay."

After very limited discussion HRM Council shelved the report of the Tax Reform Committee in January of 2010.

3.0 Reopening the Discussion

CCI and CONS decided to prepare a strategy designed to reopen discussion on the issues of assessment and taxation differentials and the efficiency of servicing multi-unit buildings. The approach used was to convene two three hour Workshop Sessions on "**Fair Taxation**". The first session was held on January 14th, 2012 and the second on January 28th, 2012. The objective was to develop a strategic approach and action plans to address the taxation issues. The participants were members representative of the two organizations. Over 30 people attended the workshops each day and participated in the development of the Strategic Plan and the implementation procedures.

The first session, on January 14th, focused on understanding the current situation - where are we now. A number of experts in their field were invited to help the participants in developing that understanding. Presenters were Russ Adams, Property Valuation Services Corporation on the property assessment process; Mark Gilbert from Dalhousie on the current taxation system within HRM and across Canada; Mike Bradfield from Dalhousie on taxation theory and practice; and David Grace, Chairman, HRM Taxation Reform Committee with background on and a review of the Committee report to Council.

A VISION is a statement of the preferred future state - not where current trends are taking us. The program for day two focused on preparing a VISION; examining the difference between the current state (as described in day one) and the preferred future state (the VISION); identifying strategic initiatives that should be explored in order to eliminate the differences; preparing action plans designed to implement the strategic initiatives so as to move from the current state to the preferred future state; and stating measures that would be used to evaluate success.

While the condominium tax issue was the primary motivator that initiated the "Workshop on **Fair Taxation**" It became clear as the proceedings evolved that there is a larger issue that needs to be addressed. There is a need for a review of the entire municipal tax system with a view to implementing **fair taxation** for all. There is the need to develop partnerships with other like organizations and individuals to pursue this end.

4.0 The Vision

A vision is a statement of the preferred future - not where current trends are heading. How would you like to see the taxation system described in 5 - 10 years time? The following is the vision as prepared from words and phrases provided by the participants at the planning sessions:

VISION

" We see a taxation system, based on payment for cost of services received, that is fair and equitable while recognizing ability to pay. The efficient system results in healthy and sustainable communities while encouraging compact development and economic growth. New sources of revenue are made available to municipalities."

5.0 Strategic Directions

Participants next discussed the strategic initiatives that could be pursued in order to move forward towards attaining the visionary state. The major ones that emerged were:

- The need for an education program so that all stakeholders, including condominium owners; the general public; the press; government staff; and politicians, fully understand the taxation system and the issues.
- There is a need to build partnerships with other concerned organizations in order to strengthen the message that the taxation system needs to be changed.
- HRM Council must be encouraged to renew the taxation debate beginning with reopening the Report of the Taxation Reform Committee.
- Municipal politicians must be challenged with respect to the taxation issues.
- Higher levels of government must be brought into the discussion and contribute to the solution.

6.0 Evaluation Measures

Workshop participants were asked to state the measures that might be used to evaluate success. Some of them are:

- Condominium owners have become mobilized and a force in the municipal election campaign.
- CCI and CONS have formed partnerships with other organizations to pursue the issue,
- HRM Council appoints a stakeholder committee to review and implement a **fair taxation** program;
- The partnerships continue to monitor and react to progress;
- HRM adopts a new taxation structure based on the principles of **fair taxation**;
- Other levels of government allow municipalities access to a wider range of revenue sources.

7.0 Conclusion

While the impetus for organizing the workshops was the difference in taxation between condominiums and apartments it became obvious as discussions proceeded that there was a broader issue that needed to be addressed. The broader issue is **fair taxation** for all. The current tax system is not working and is getting more out of balance each year.

There must be a thorough review of the current tax system and, to do this effectively, the workshop concluded that CCI and CONS should search out to other concerned stakeholders and work together to force a review of the system. Other levels of government must be drawn into the discussions.