Capped Assessment Program (CAP)

Legislated Review

APPENDICES

March, 2007

Service Nova Scotia and Municipal Relations

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APPENDIX A

Capped Assessment Program Review

Municipal Discussion Sessions

Participant Information Package

Draft for Discussion Purposes

January, 2007

Service Nova Scotia and Municipal Relations

Table of Contents

Introduction

Thank you for joining us to participate in one of six municipal discussion sessions to be held around the province on the Capped Assessment Program (CAP). Your input is important to the review process. To support your participation in the session, this resource package contains the following background material:

- **Section I** of the package contains background information on the CAP program, legislation related to the CAP and information on the mandated review process.
- In **Section II** you will find an agenda and more details about the sessions.
- **Section III** contains some findings from the research and jurisdictional reviews so far, including perspectives on assessment and taxation and examples of property tax relief mechanisms in use across Canada.
- In **Section IV** you will find data 'snapshots' tailored to your municipality illustrating the potential impact of the CAP program at both 10% ("Actual") and CPI ("Scenario")[1] on your 2007 assessment roll. **Please be assured that we will be walking participants through examples of the data contained in Section IV at the session.**

Please take the time to review these materials prior to the session and feel free to share them with relevant staff and elected officials as you deem necessary. If possible, please come prepared to share your council's position on the CAP at the discussion session.

A Few Words on the Municipal 'Snapshots"

As identified above, Section IV of this package contains illustrative data 'snapshots' based on your municipality's 2007-08 assessment roll. Noting the recent introduction of the Consumer Price Index into the capping formula, we have created two separate snapshots: 1) with a cap at 10%, the current cap amount; and 2) with a cap at 2.3%, estimated CPI for 2006[1].

We developed these snapshots to offer you an illustration of what the potential taxation implications may look like between a cap at 10% compared to a cap at CPI in your municipality. **It is important to recognize; however, that these 'snapshots' are scenarios that are based on a number of assumptions, including: municipal tax rates, expenditures and participation rates in the CAP program for your municipality. As such, the snapshots are to be used for <u>illustration purposes only</u> and are not to be considered projections or even estimates of actual experience with the CAP program.**

Please see the Interpretive Bulletins accompanying the snapshots in Section IV of this package for more detailed information on the development of the snapshots and the assumptions upon which they are based. As noted above, we will be walking participants through this data during the session.

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[1] As December 2006 data for the Nova Scotia CPI was not available at the time of this analysis, this estimate is based on the average increase in the Nova Scotia CPI between Jan. and Nov., 2006.

Section I

Background

Property assessment and property taxes are closely linked and a review of one cannot proceed without the other. In Nova Scotia, property assessment is currently conducted by the province, although a new governance and service delivery model for assessment services is being implemented that will see a representative municipal board take over administrative responsibility for the delivery of assessment services.

Link between Taxation and Assessment

Assessments are conducted according to market value, which is defined as the amount of money that probably would be arrived at through fair negotiations between a willing buyer and a willing seller. This method is used across Canada and throughout North America and other parts of the world as a way to ensure that property owners pay a uniform level of tax across the municipality.

Municipal units, through the budgeting process, determine the amount of revenue from taxation that they require to provide services to their citizens in a given year. They then use the assessed value of the properties in their area as a base to calculate what the tax rate will be and how to apply it to each individual property owner. Or, stated in a simple formula:

$$\boxed{\text{Tax Rate X Assessed Value = Property Tax Bill}}$$

As the link between taxation and assessment can be confusing and is often misunderstood, there is an expectation for municipalities to be able to answer questions on both property assessment and taxation[2].

Rising Assessments and Property Tax Burdens

In many areas of Nova Scotia, as in other jurisdictions across the country, the real estate market has seen dramatic increases since the early 2000s. Rising assessment values and increasing municipal budgets in combination with relatively stable tax rates throughout most municipal units resulted in large increases in property tax bills in the province.

Property owners expressed concern that the market value of their real estate was not a fair representation of their ability to pay property taxes, particularly for seniors and those on fixed incomes living in waterfront homes they inherited.

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[2] For more information on property taxation and assessment, please see Service Nova Scotia and Municipal Relations (2000) *Local Government Resource Handbook*, Part II – Finances, Section 3.3. Available online at the following link: http://www.gov.ns.ca/snsmr/muns/manuals/lgrh.asp

Key Highlights from the Legislation

Bill 40 – Capped Assessment Program (CAP) [3]

Provincial legislation (Bill 40) was introduced in 2004 to address sudden and dramatic increases in property assessment and taxation. Bill 40 'capped' year to year increases in assessment for residential and resource properties across the province. In order to qualify for an assessment cap, your property must meet the following eligibility criteria:

- be at least 50% owned by a Nova Scotia resident;
- be classified as taxable residential or taxable vacant resource property;
- have an increase in market value assessment greater than the CAP percentage excluding any new assessment value as a result of construction or renovations to the property; and
- have not transferred, or if transferred, then only to certain close relatives (i.e., spouse, child, grandchild, great grandchild, parent, grandparent, or sibling); may also be transferred to family trusts or farm cooperatives.

Residential taxpayers are required to apply for the cap and state that they are residents of Nova Scotia. Sales of residential property restore the assessment to market value except in the case of those that take place between family members.

The first assessment roll to reflect the capped assessment program (CAP) was filed in December, 2004 for 2005 assessment roll (2005/2006 fiscal period). For more information on the administration of the CAP program, please visit the following link: http://gov.ns.ca/snsmr/asmt/cap/

Bill 92 – CAP extended and tied to annual Consumer Price Index (CPI)[4]

In the Fall 2006 sitting of the provincial legislature, all three political parties agreed to new capping limits for residential/resource properties, effective 2008-09. Previously, under Bill 40, the limit for the cap was to be set annually through regulation. Bill 92 removes this requirement and, starting in the year 2008-09, sets the annual cap amount at the same percentage as the Nova Scotia CPI.

Consumer Price Index (CPI)

The Consumer Price Index provides a percentage of how much the prices Canadians paid for consumer goods has gone up or down in a given period of time (month/year). This index is also available for each province.

The index is determined by calculating, on a monthly basis, the cost of a fixed "basket" of goods purchased by a typical consumer during a given month. The basket contains products from various categories, including shelter, food, entertainment, fuel and transportation.

Since the contents of the basket remain constant in terms of quantity and quality, the changes in the index reflect price changes, up or down. Based on information from the latest available Nova Scotia CPI, prices in the province have increased on average by roughly 2.3[1] per cent in 2006 from 2005.

[3] Bill 40 - *An Act to Amend Chapter 23 of the Revised Statutes, 1989, the Assessment Act*
[4] Bill 92 - *An Act to Amend Chapter 23 of the Revised Statutes, 1989, the Assessment Act*

Legislated Review Process for the CAP

The Minister of Service Nova Scotia and Municipal Relations is legislated under Bill 40 to review the Capped Assessment Program and deliver a report to the House by April 1, 2007.

The review process includes the following:

- **Literature Review** – a review of existing research on best practices in addressing rising property taxes.

- **Jurisdictional Review** – National and international review to identify best practices, lessons learned and options for consideration to address rising property tax burdens related to assessment increases.

- **Program Analysis** – to include the following:

  a) Analysis of actual assessment data (and potential taxation implications) for 2005-06, 2006-07 and 2007-08 to identify the impact of the program under a 10% cap from a municipal perspective.

  b) Analysis will also include scenario analysis of 2007-08 assessment data to identify the potential impact of the program under a cap at 2.3% (estimated CPI for 2006).

- **Stakeholder Discussion Sessions** – Regional discussion sessions with 55 municipalities in locations around the province and discussion sessions held with the Union of Nova Scotia Municipalities, the Assessment Management Board and the commercial sector.

- **Clarification of the Program Objectives** – Differing policy objectives are often cited by a range of stakeholders in relation to the program's intention, including: quelling the effect of rising assessment, keeping seniors in their homes, and strengthening the transparency of the link between tax burden and tax rate. Through discussions with stakeholders, desired program objectives will be identified, clarified and examined.

- **Observations and Recommendations for Program Enhancements** – Analysis of options for consideration based on findings from the literature review, jurisdictional scan, detailed data analysis and input from the stakeholder discussion sessions.

Section II

Municipal Discussion Sessions

What is the purpose of the sessions?

The municipal discussion sessions are important to the review process for the CAP. Discussion sessions have also been scheduled with the Union of Nova Scotia Municipalities, the Assessment Management Board and the commercial sector.

The municipal discussion sessions, which will be regional in nature, will provide participants with an opportunity to:

- Discuss their municipality's experience to date with the CAP at 10%;
- Hear their ideas about recent legislation that has set the annual CAP amount at the Consumer Price Index (CPI);
- Discuss proposed policy direction in light of experience to date with the program; and
- Identify additional options for analysis to be considered as part of the legislated CAP review process.

Please see page 11 of this package for an agenda for the session.

Information to Support Discussion at the Sessions

In order to enhance discussion at the sessions and ensure all of our municipal partners have equal access to data to help inform their experience in relation to the program, **Section IV (page 22) of this package contains municipal level data 'snapshots' based on an analysis of the CAP program at 10% and scenario analysis of the CAP program at 2.3%, the estimated CPI for 2006.**

It is important to recognize; however, that these 'snapshots' are scenarios that are based on a number of assumptions, including: municipal tax rates, expenditures and participation rates in the CAP program for your municipality. As such, the snapshots are to be used for illustration purposes only and are not to be considered projections or even estimates of actual experience with the CAP program.

Please be assured that we will be walking participants through the data contained in Section IV at the session, as we recognize its length and complexity. For more detailed information on the development of the snapshots and the assumptions upon which they are based, please see the Interpretive Bulletins accompanying the snapshots in Section IV of this package.

We hope that this information along with preliminary findings from the literature and jurisdictional reviews so far (contained in Section III of this package) will help municipalities to better determine their council's position on the program to date so that they will be able to share this information at the discussion session.

Who is invited to attend?

Mayors/Wardens and CAOs from all municipal units have been invited to attend the municipal discussion sessions as the target audience for this phase of the review process. Municipalities wishing to send additional key staff and/or elected officials are welcome to do so; however, it is requested that all participants be registered in advance so the necessary arrangements can be made to comfortably accommodate all those in attendance.

Please be sure to confirm attendance for all participants in advance with Margo Horne at mhorne@gov.ns.ca or (902) 424-6333.

Who will be conducting the sessions?

The sessions will conducted by staff from Municipal Relations and will be led by a professional facilitator.

Where and when are the sessions to be held?

The six municipal discussion sessions will be held in the following locations around the province:

- **Jan 25 – Best Western Glengarry Hotel – Truro**
- **Jan 26 – Civic Centre, Port Hawkesbury**
- **Jan 29 – Wandlyn Inn, Coldbrook**
- **Jan 31 – Rodd Colony Harbour Inn, Yarmouth**
- **Feb 6 – Halifax (TBD)**
- **Feb 7 – Wandlyn Inn, Bridgewater**

Sessions in Truro, Coldbrook, Halifax and Bridgewater will run from 8:30 AM to 3 PM. Sessions in Port Hawkesbury and Yarmouth will run from 9:30 AM to 4 PM. Light refreshments and lunch will be provided.

Participants are encouraged to attend the session located within their region, as session materials will be tailored to focus on issues specific to the region in which they are held.

Will municipalities have other opportunities to provide input?

Municipalities who wish to provide further input and/or those unable to attend a discussion session will have the opportunity to provide input through an **on-line survey** (details and web address to follow in the near future).

Municipalities can also provide input at anytime throughout the review process to Lynn Bowen Avery by e-mail at bowenal@gov.ns.ca or by phone at 424-0838.

Agenda for the Discussion Session

Capped Assessment Program Review

Municipal Discussion Sessions AGENDA

PLEASE NOTE

Sessions in Truro, Coldbrook, Halifax & Bridgewater will run from 8:30 AM to 3 PM; Sessions in Port Hawkesbury and Yarmouth will run from 9:30 AM to 4 PM

An agenda with timelines will be provided to you when you confirm you attendance. **Please RSVP to Margo Horne by email at mhorne@gov.ns.ca or by phone at (902) 424-6333 by January 19.**

- Registration and Light Refreshments
- Welcome and Introductions
- Overview
- Legislated Review Process
- Municipal Snapshots
- Refreshment Break
- Examining the CAP
- Clarifying the Program Objective
- Recommendations for Enhancement of the Program
- Lunch Break
- Prioritize Options for Program Enhancement
- Summary and Next Steps
- Wrap Up

Section III

Information to Support Discussion

Preliminary Findings: Literature and Jurisdictional Reviews

The information that follows has been compiled based on a scan of relevant literature and jurisdictional research which, though extensive, is by no means exhaustive. Please note that it is intended for discussion purposes only and is not to be considered an official position of the Province.

The following preliminary findings from the literature and jurisdictional reviews to date have been included in this package:

- Perspectives on property assessment and taxation;
- Systems of property assessment in place around the world, with relative advantages and disadvantages identified;
- Examples of property tax relief mechanisms, both direct and indirect;
- An inventory of property tax relief mechanisms in place across Canada; and
- Targeted relief mechanisms currently available in Nova Scotia.

It is hoped that this information will help support enhanced dialogue at the municipal discussion sessions and ensure that all of our municipal partners have equal access to data to help inform their experience in relation to the CAP program. If possible, please come prepared to share your council's position on the CAP at the discussion session.

Perspectives on Property Taxation and Assessment

A review of the literature identified a range of perspectives on property taxation and assessment. This information may help stimulate discussion at the sessions, particularly when clarifying program objectives and identifying opportunities for program enhancement.

Property Taxation

The following characteristics describe best practices in local taxation (Slack, 2005[5]):

- Equity/Fairness
- Efficiency
- Stability and Predictability
- Accountability/Transparency
- Ease of Administration

Assessment Best Practices

An international comparison of property assessment systems (Kitchen, 2005) [6] identifies the following best practices in assessment:

- Use of market value system for assessment.
- Uniform treatment of all properties.
- Annual reassessments.
- An effective appeals mechanism.
- No capping/freezing of assessments.
- No preferential treatment of certain properties or property types.

> "Assessment increases cannot be used as an excuse for property tax increases… taxpayer (and media) education is needed to understand the relationship between assessment and taxes."
>
> - Dr Enid Slack of the Institute on Municipal Finance and Governance (2005)

[5] Enid Slack (2005), Assessment Under Threat Presentation to the Association of Municipalities of Ontario, October 18, 2005. Available at: http://www.utoronto.ca/mcis/imfg/pdf/Assessment%20Under%20Threat.ppt

[6] Harry Kitchen (2005). *International Comparison of Property Assessment Systems* Presentation at MPAC's 2005 Stakeholder Forum, November 23, 2005.

Systems of Assessment

Market value is the most commonly used system world wide and is used in both developed and developing countries where there are functioning real estate markets.[7] Examples include but are not limited to: Canada, Australia, Germany, Japan, the U.K., the U.S.A., China, New Zealand, Argentina, and Mexico.

Acquisition value (capped assessment) is a form of the market value system which has gained prevalence in several states and is the category under which the Capped Assessment Program currently in place in Nova Scotia falls. The popularity of acquisition value is largely related to the fact that it addresses some of the concerns that arise in a market value system with a 'hot' real estate market.

Based on a review of the literature (see next page for sources), the following chart identifies various perspectives on the relative advantages and disadvantages of a range of systems of assessment, including market value and acquisition value.

System	Description	Advantages	Disadvantages
Market/ Current Value	• Price between a willing buyer and a willing seller in an arm's length transaction • Approaches to estimating market cost include comparable sales, depreciated cost & income	• Reflects benefits from local services (i.e. proximity of property to transit) • Improvements to property increase owners' equity and, especially in rising markets, increase in tax burden not likely to exceed gain in wealth[3] • Is less regressive than area-based	• Perceived and actual inequities in assessment • Disconnected from ability to pay • Unpredictability of tax burdens, particularly in 'hot' property markets • Discourages improvements to properties
Acquisition Value/ Capped Assessment	• Form of market/current value used in California and several other states and currently in place in Nova Scotia • Assessment increases limited by capped amount (NOTE: property taxes are also capped in California model) • Market value assessment can only occur at time of sale or resale	• Stable and predictable tax burdens when accompanied with tax cap • Addresses the issue of rapid rise in the property values leading to tax burdens beyond ability to pay • Can contribute to homestead security among families and neighbourhood preservation as property sales are discouraged.	• Breaks the link between taxes and market value • Unequal treatment of properties of comparable value based on date of sale • Favours older, more affluent generations; disadvantages young first-time homeowners • Decreases household mobility • Does not always reduce volatility • Difficult to reverse the longer it is in place

[7] Harry Kitchen (2005). *International Comparison of Property Assessment Systems* Presentation at MPAC's 2005 Stakeholder Forum, Nov. 23, 2005.
[3] Point taken from City of Toronto staff report *Provincial Ombudsman's Report on the Municipal Property Assessment Corporation (MPAC)*, July 2006.

**** See following page for a complete list of sources***

Systems of Assessment			
Valuation Bands	• Form of market/current value used primarily in the UK • Dwelling valued at market value in 1991 • Properties categorized into several "valuation bands" with corresponding property tax rates applied	• Stability and predictability of taxes • Avoids the need for precise property valuation as change in value does not generally affect banding • Increase in value from expansion or improvement does not take effect until time of sale	• May result in inequities similar to those identified in acquisition value system • Revaluation may result in large tax shifts
Unit Value/ Area-Based Assessment	• Unit assessment - rate is levied per m2 of land area, building or a combination of the two • Unit value assessment - rate per m2 is adjusted to reflect location or other factors	• Favoured in countries or parts of countries without functioning real estate markets • Encourages development of property and eliminates disincentive to improve property.	• Does not reflect location, market conditions, or quality of structures. Difficult to separate value of land from value of buildings. • Tax base is smaller than market value; therefore, property tax rates would likely be higher. • Empirical evidence is inconclusive on whether this system leads to improved economic development.
Self Assess-ment	• Tendency for under-estimation • Needs verification process	• Easy to administer • Only works if property owners are required to sell their property to anyone who offers to pay the assessed value	• Difficult to enforce • Leads to underestimation of properties over time, particularly those of higher value • Requires taxing authority to buy property at self assessed value

Sources:

Dr. Enid Slack, "Policy Options for Taxing Real Property," Presentation to the IPTI, August 23, 2005. Available at: http://www.utoronto.ca/mcis/imfg/resources.htm

Dr. Enid Slack, "Assessment Under Threat," presentation to the Association of Municipalities of Ontario, October 18, 2005. Available at: http://www.utoronto.ca/mcis/imfg/resources.htm

Harry Kitchen, "Property Taxation & Assessment Systems: *The Good and the Bad,"* Presentation at the 50th Annual Conference of the Institute of Municipal Assessors (IMA), 2006;

Harry Kitchen, "International Comparison of Property Assessment Systems," Presentation at MPAC's 2005 Stakeholder Forum, November 23, 2005;

Mark Haveman, "Learning to Love the Market Value Based Property Tax (or at least reduce its abuse): An Overview of the Forthcoming Lincoln Policy Focus Report on Property Tax Limitations";

Frances Plimmer, W.J. McCluskey, Owen, Connellan Reform of UK local government domestic property taxes, December, 1999; Local Government Committee 6th Report 2002 *Report on Inquiry into Local Government Finance Volume 2: External Research. Assessment of the Options for Council Tax Rebanding in Scotland,* Session 1, 2002.

City of Toronto (2006). *Provincial Ombudsman's Report on the Municipal Property Assessment Corporation*, staff report to the Policy and Finance Committee, June 5, 2006.

Property Tax Relief Mechanisms

The following chart highlights examples of direct property tax relief measures that are intended to directly reduce tax bills for homeowners. These examples were identified in a scan of available research[8] which, though extensive, is by no means exhaustive.

Examples of Property Tax Relief Mechanisms		
Example	**Description**	**Observations**
General Limitations	▪ **Levy Limits** – limit the amount of taxes that can be collected ▪ **Rate Limits** – limit the tax rate	▪ Constrain the role of property tax in local finance
Tax Base Modifications	▪ **Assessment caps** – limit growth in taxable assessment ▪ **Split roll taxation-** different tax rates for different property classes (i.e. commercial, industrial, residential) ▪ **Homestead exemptions** – reduces the base by subtracting some amount from assessed or market value eligible property owners	▪ Shifts the tax burden
Direct Relief	▪ **Homestead credits** – a prescribed amount is subtracted from the tax bill after the liability has been calculated. ▪ **Circuit breakers -** provide a refund or credit for taxes that exceed a set percentage of the property owner's income. Can be 1) **"sliding scale"** – amount of rebate falls as income rises; and 2) **"threshold –** property taxes do not exceed a certain percentage of household income (may be limited by maximum benefit expressed in a dollar amount). ▪ **Deferrals -** allow homeowners to use the equity in their homes to guarantee payment on deferred taxes, which become a lien on the home that is satisfied when the home is sold or when the homeowners' estate is settled.	▪ Reduced the economic impact on households. ▪ Can be targeted to specific populations (i.e., low income, persons with disabilities and/or seniors)
Alternative methods of tax collection	▪ **May include:** credit card, direct debit or more frequent payment schedules, as opposed to more common annual and semi-annual billings.	▪ Provide more flexibility to taxpayers

[8] Sources: Mark Haveman "Learning to Love the Market Value Based Property Tax," Minnesota Taxpayers Association (date unknown); Nikolai Mikhailov (1998) and Jason Kolman (2001), Harvard Law School, Types of Property Tax and Assessment Limitations and Tax Relief Programs, research report prepared for the Lincoln Institute of Land Policy. Available at: http://www.lincolninst.edu/subcenters/valuation_taxation/dl/mikhailov.pdf

Jurisdictional Scan

Service Nova Scotia is in the process of conducting a Canada-wide survey to identify best practices in addressing rising property taxes and increases in assessment values. Results of this survey will inform the legislated review.

To date, a scan of available research has identified the following property tax relief mechanisms used across Canada. This information may be helpful in the discussion of desired policy direction and options for analysis.

Property Tax Relief Mechanisms in Use Across Canada

According to research conducted in 2003 by the Canadian Tax Foundation (Treff and Perry, 2004)[9], various direct property tax relief programs exist in most provinces. Almost exclusively allocated to residential property, these programs are offered in the following three ways: as property tax deferrals; grants or rebates; and measures delivered through the income tax system. While direct property tax relief is broadly available in some provinces, such programs are targeted at particular groups, usually senior citizens, in others.

The following chart outlines property tax relief mechanisms used across Canada, as identified by the Canadian Tax Foundation in their 2003 *Finances of the Nation*. The following caution by the authors, however, should be noted:

"Interprovincial comparisons of the availability of property tax relief should not be made in isolation because the extent to which property taxes are relied on as a revenue source varies from province to province. Generally, the more heavily the property tax is depended on, the more generous the province is in providing relief."

Province/ Territory	Property Tax Relief Mechanisms Identified by the Canadian Tax Foundation (2004)
Prince Edward Island	▪ Deferral of up to 100 percent of property taxes for senior citizens with household incomes of $21,000 or less. The deferred taxes must be paid when the property is sold or transferred to someone other than a spouse. ▪ The Real Property Tax Act provides the following tax credits for resident owners of non-commercial property: $1.16 per $100 of assessment in Charlottetown; $1.46 per $100 of assessment in Summerside; $0.70 per $100 of assessment in Cornwall and Stratford; $0.60 per $100 of assessment in other municipalities that provide their own police services; and $0.50 per $100 in all other cases.

[9] Karin Treff and David B. Perry (2004), *Finances of the Nation, 2003: A review of expenditures and revenues of the federal, provincial and local governments of Canada*, The Canadian Tax Foundation. Available online at: http://www.ctf.ca/FN2003/finances2003.asp

Province/ Territory	Property Tax Relief Mechanisms Identified by the Canadian Tax Foundation (2004)
Nova Scotia	▪ Local councils in Nova Scotia may exempt from taxation any person whose income is below an amount determined by the local council. ▪ Since 2000, the provincial property tax rebate program is extended to all seniors receiving the guaranteed income supplement. New qualifying seniors in 2002 will receive a flat rate rebate of $100 regardless of the amount of property tax paid. By 2003, each qualifying recipient will receive a maximum rebate of $400.
New Brunswick	▪ Relief is provided for owner-occupied property through a property tax allowance to low-income homeowners with incomes below $20,000. The allowances are credited against property taxes, up to a maximum of $200. ▪ Provincial property tax and, in some instances, a portion of the municipal tax, on agricultural land and farm outbuildings may be deferred as long as the land is used for agricultural purposes or is capable of such use.
Quebec	▪ Quebec's refundable property tax credit is administered through the personal income tax system and is available to both homeowners and renters. ▪ Owners of farms and timber properties are reimbursed for a portion of the property taxes paid.
Ontario	▪ Ontario offers several property tax relief and rebate programs, which include an income tax credit to defray property taxes paid by low- and modest-income homeowners and tenants, and a special credit for seniors. ▪ The farm tax rebate program, which reimbursed 75 percent of the property taxes paid by owners of eligible farmlands and outbuildings, was replaced with a lower property tax rate. The province reimburses 100 percent of the property taxes paid by owners of eligible managed forests and conservation lands. ▪ Owners of vacant business property receive tax rebates based on the actual period of time the property is vacant. Municipalities may also provide property tax relief to owners of heritage buildings and owners who build or modify a residence to accommodate a senior or a disabled person.
Manitoba	▪ Manitoba's property tax credit for homeowners is administered through the personal income tax system and is reduced as family income increase. The maximum 2002 property tax credit is $675 ($775 for seniors). Additional property tax relief is available to senior citizens through rebates of school taxes, which are available to senior citizen renters as well as homeowners. ▪ The school tax credit for homeowners program provides a maximum grant of $175 to homeowners 55 years of age and over. Property taxes paid on a farmer's principal residence and up to 1/2 hectare of land are eligible for the property tax credit. For a married couple, only one person may claim the credit.

Province/ Territory	Property Tax Relief Mechanisms Identified by the Canadian Tax Foundation (2004)
Alberta	▪ Alberta's property tax reduction program was incorporated into the Alberta seniors' benefit in 1994. The seniors' benefit is an income tested program: a portion of the cash benefit paid to eligible senior homeowners is used to help cover municipal property taxes.
British Columbia	▪ BC provides a homeowner grant program that reduces property tax liability for owner-occupied principal residences. A homeowner grant of $470 is available to reduce provincial and local government property tax, subject to a minimum payment of $350. For seniors, the handicapped, and veterans, the minimum tax is $100, and the grant is a maximum of $745. The grant is phased out for homeowners with properties worth more than $525,000. ▪ The property tax deferment program allows seniors, surviving spouses, and the disabled to postpone payment of property tax until the property is sold. BC farmers have the option of delaying payment of rural property taxes until Oct. 31, which allows those who harvest later in the year to sell their crops before paying their property taxes.
Northwest Territories	▪ The Northwest Territories may give senior citizens and disabled persons living in the general taxation area 100 percent property tax relief. For those living in municipal areas, the municipality generally exempts 50 percent of the taxes, and the territorial government pays the other 50 percent.
Yukon	▪ Yukon has a general homeowners' grant program that provides 50 percent of the general tax levy up to a legislated maximum amount of owner occupied residential property. The grant will not lower property taxes to less than $100 unless the taxpayer is a senior citizen. A seniors' property tax deferral program applies to senior homeowners outside incorporated municipalities, where the territory is the taxing authority. Municipalities have the authority to adopt similar programs

Targeted Relief Mechanisms Currently Available in Nova Scotia

- **Low Income Deferrals (MGA)**
- **Low Income Exemptions (MGA)**
- **Senior Citizen Tax Rebates (SNSMR)**

Section IV

Municipal Snapshots Related to the CAP

Introduction

The following section contains illustrative data 'snapshots' based on your municipality's 2007-08 assessment roll. Noting the recent introduction of the Consumer Price Index into the capping formula, we have created two separate snapshots: 1) with a cap at 10%, the current cap amount; and 2) with a cap at 2.3%, estimated CPI for 2006[10].

We developed these snapshots to offer you an illustration of what the potential taxation implications may look like between a cap at 10% compared to a cap at CPI in your municipality. **It is important to recognize; however, that these 'snapshots' are scenarios that are based on a number of assumptions, including: municipal tax rates, expenditures and participation rates in the CAP program for your municipality. As such, the snapshots are to be used for <u>illustration purposes only</u> and are not to be considered projections or even estimates of actual experience with the CAP program.**

Prior to the data snapshots, which begin on page 34, you will find Interpretive Bulletins that offer more detailed information on the development of the snapshots and the assumptions upon which they are based. As noted above, we will be walking participants through this data during the session.

[10] As December 2006 data for the Nova Scotia CPI was not available at the time of this analysis, this estimate is based on the average increase in the Nova Scotia CPI between Jan. and Nov., 2006.

Actual Analysis: 2007-08 Capped Assessment Program Snapshot

Interpretive Bulletin

Introduction

The "Actual Analysis: 2007-08 Capped Assessment Program Snapshot" provides an illustration of the potential taxation impact of the CAP program on your municipality for the 2007-08 assessment roll. It is based on an analysis of actual 2007-08 assessment data using the legislated CAP rate of 10%. Tax rates from 2006-07 and 2005-06 were used to conduct the illustration on 2007-08 assessment data.

In light of the recent introduction of the Consumer Price Index (CPI) in the capping formula, a "Scenario Analysis" has also been conducted illustrating the potential impact of the CAP on your municipality. 2007-2008 assessment data has been used as the basis of this analysis to allow for comparison of the potential impact of the CAP program under CPI with its impact at a 10% cap. (See page 35 of this package for the "Scenario Analysis: 2007-08 Capped Assessment Program Snapshot.")

It is important to recognize; however, that these 'snapshots' are scenarios based on a number of assumptions (see "Limiting Conditions" below), including: municipal tax rates, expenditures and participation rates in the CAP program for your municipality. As such, the snapshots are to be used for <u>illustration purposes only</u> and are not to be considered projections or even estimates of actual experience with the CAP program. Please be assured that we will be walking participants through the data contained in the snapshots at the municipal discussion session, as we recognize its length and complexity.

Limiting Conditions

The "Actual Analysis: 2007-08 Capped Assessment Program Snapshot" is based on a number of assumptions and the interpretation of the results are limited, as follows:

1. Tax rates used were the most recent rates submitted to Municipal Services, however, they are a mix of 2005-06 and 2006-07 fiscal year rates. It is important to understand that these rates were relied on to generate taxation impact results on the 2007-08 assessment roll and are scenarios for the purposes of illustration only. The accurate measurement of the taxation impact will not be available until the rates for 2007-08 have been set, based on the 2007-08 assessment roll and each municipal unit's revenue requirements for that fiscal period.

2. In taxation impact analysis, it is assumed that the municipal unit will need to maintain the same level of revenue from the residential/resource taxable base as was calculated with the tax rate and total filed assessment data.

3. All data used for analysis is based on the Assessment Services Division database (at various points of time, as identified), using a third-party service provider to extract and provide the data results to the Municipal Services Division.

4. Source data for the snapshots is as of January, 2007.

5. Accounts capped reflect current year applications, as well as applications on file from previous year(s).

6. Results are tabulated by "Value Range", based on assessed value ($0 - $150,000, $150,000 - $300,000, $300,000 - $450,000, $450,000 - $600,000 and $600,000+), with aggregate information for all property values in the "Total" column.

7. Eligibility parameters for participation in the capped assessment program are as follows:

    a. Market:
        The increase in market value for an account must be greater than the CAP percentage excluding any new assessment value (e.g. new construction, renovations, etc.).

    b. Physical:
        The property must be classified as: a) residential taxable vacant land, b) residential taxable improved property with less than four dwelling units, c) residential taxable condominium or d) resource taxable vacant land.

    c. Sale:
        The property either did not transfer or, if transferred, was to certain close relatives such as a spouse, child, grandchild, great grandchild, parent, grandparent, brother or sister. The property may also be transferred to family trusts or farm cooperatives.

    d. Residency:
        The property must be at least 50% owned by a Nova Scotia resident.

Snapshot Variables

The data snapshot is a tool to assist in understanding the impact of the CAP at a municipal unit level. In addition to unit-level analysis, the results are broken down by assessed value range allowing for the general interpretation of data as it relates to property value.

The snapshot is comprised of three sections:

a) account summary;
b) eligible account summary;
c) impact on taxation.

The definitions of the variables within each section are presented below.

It is critical to understand what each variable represents, as well as the general limiting conditions around the data, prior to interpretation of the data snapshot.

a) **ACCOUNT SUMMARY:**

No. of Accounts (total residential/resource taxable)
This represents the total inventory of properties classified as taxable residential or taxable resource. Property types include vacant land, single family dwellings, multiple family dwellings, resource properties (both vacant and improved), condominiums, mobile homes, cottages, etc. This inventory is the base for the determination of the residential/resource tax rate in each municipal unit.

No. Capped
Inventory of accounts that received a Capped Assessment Notice, providing a capped value assessment which is lower than the market value assessment of that account. This inventory is the basis of all valuation reduction calculations, as well as taxation impact calculations.

Accounts Capped as % of Total Accounts
Percentage of accounts that received a Capped Assessment Notice in relation to the entire residential/resource taxable population in the unit.

This inventory gives an indication of the relationship between capped and non-capped accounts and provides a reference point in terms of the amount of the unit impacted by CAP.

b) **ELIGIBLE ACCOUNT SUMMARY:**

The values produced in the following section are based on the eligible population (see No. Eligible for inventory). Selecting only the eligible inventory allows for conclusions to be drawn in terms of the valuation changes within this sub-group.

The "capped portion" refers to the portion of the account that is able to be capped. This excludes the value of non-cap-able portions of multiple-use accounts (e.g. the value of the residential portion of a residential/commercial split property would be considered the "capped portion", while the value of the commercial portion would be not be included).
In combination, the capped portion of eligible accounts creates a sub-group representing the accounts that could have been capped.

Reduction in Value
The Total Market Value and Total Filed Value variables enable the identification of the impact of the CAP on assessed values, expressed as the Reduction in Value.

The Reduction in Value is stated in terms of assessment dollars and represents taxable assessment not captured on the capped assessment roll as a result of the capped assessment program. This variable represents all valuation change as a result of the CAP as no accounts outside of this sub-group are able to be capped.

Reduction as % of Total Market Value (eligible accounts)
This quantifies the impact of the actual valuation change as a result of the CAP as it relates to the population of accounts that could have been capped. The reduction is expressed as a percentage of the total market value of this sub-group.

c) **IMPACT ON TAXATION:**

Total Taxes Redistributed
This is the amount of taxation that is redistributed from accounts receiving the CAP to the population, based on the Reduction in Value and the Tax Rate without Capping variables.

The Reduction in Value identifies the amount of assessment value change resulting from CAP. If the CAP was not in place, this assessment would have been taxed at the account level. Reducing the tax base and maintaining the municipal levy requires these taxes to be "made up" by all accounts (ultimately achieved by increasing the tax rate applied to all accounts). The Total Taxes Redistributed variable calculates the amount of taxation, on a municipal unit level, that must be redistributed to maintain the levy.

Taxes Reduced per Capped Account (average)
Calculated by dividing the Total Taxes Redistributed by the No. Capped inventory, this variable states the average amount each capped account was reduced.

Taxes Redistributed per Account (average)
Calculated by dividing the Total Taxes Redistributed by the No. Accounts inventory, this variable identifies the average amount of taxation that was spread over the entire residential/resource taxable population.

This variable represents the average increase borne by each residential/resource taxable account in the unit.

Average Net Benefit to Capped Accounts
As identified by the previous two variables (Taxes Reduced per Capped Account and Taxes Redistributed per Account), capping reduces the taxation of those accounts that were capped and increases the taxation of the entire population.

This variable identifies the average net benefit gained by capped accounts, after considering the general increase in taxation to offset capping.

Interpretive Bulletin

Introduction

The "Scenario Analysis: 2007-08 Capped Assessment Program Snapshot" provides an illustration of the potential taxation impact of the CAP program on your municipality for the 2007-08 assessment roll. It is based on an analysis of actual 2007-08 assessment data and a scenario CAP rate of 2.3%[11] (estimated CPI for 2006), noting that a cap at CPI is not to take effect until 2008.

As 2007-08 tax rates were not available at the time the data was analyzed, tax rates from 2006-07 were used, where available, to conduct the illustration; where these were unavailable, 2005-06 rates were used. Various rates of program participation were used to offer a sense of the potential program impact at varying levels of participation.

2007-08 assessment data was used to allow a comparison between potential taxation impacts with a cap at 10%, as contained in the "Actual Analysis: 2007-08 Capped Assessment Program Snapshot." (See page 35 of this package for the "Scenario Analysis: 2007-08 Capped Assessment Program Snapshot.")

It is important to recognize; however, that these 'snapshots' are scenarios based on a number of assumptions (see "Limiting Conditions" below), including: municipal tax rates, expenditures and participation rates in the CAP program for your municipality. As such, the snapshots are to be used for <u>illustration purposes only</u> and are not to be considered projections or even estimates of actual experience with the CAP program. Please be assured that we will be walking participants through the data contained in the snapshots at the municipal discussion session, as we recognize its length and complexity.

Limiting Conditions

The "Scenario Analysis: 2007-08 Capped Assessment Program Snapshot" is based on a number of assumptions and the interpretation of the results are limited, as follows:

1. Tax rates used were the most recent rates submitted to Municipal Services, however, are a mix of 2005-06 and 2006-07 fiscal year rates. It is imperative to understand that these rates were relied on to generate taxation impact results on the 2007-08 assessment roll and are scenarios for the purposes of illustration only. The accurate measurement of the taxation impact will not be available until the assessment, tax rates and CPI percentage have been set for 2008-09.

[11] As December 2006 data for the Nova Scotia CPI was not available at the time of this analysis, this estimate is based on the average increase in the Nova Scotia CPI between Jan. and Nov., 2006.

2. In taxation impact analysis, it is assumed that the municipal unit will need to maintain the same level of revenue from the residential/resource taxable base as was calculated with the tax rate and total filed assessment data (i.e. no difference in spending, etc.).

3. All data used for analysis is based on the Assessment Services Division database (at various points of time, as identified), using a third-party service provider to extract and provide the data results to the Municipal Services Division.

4. Source data for the snapshots is as of January, 2007.

5. Accounts capped reflect current year CAP applications, as well as applications on file from previous year(s).

6. Results are tabulated by "Value Range", based on assessed value ($0 - $150,000, $150,000 - $300,000, $300,000 - $450,000, $450,000 - $600,000 and $600,000+), with aggregate information for all property values in the "Total" column.

7. Eligibility parameters for participation in the capped assessment program are as follows:

    a. Market:
    The increase in market value for an account must be greater than the CAP percentage excluding any new assessment value (e.g. new construction, renovations, etc.).

    b. Physical:
    The property must be classified as: a) residential taxable vacant land, b) residential taxable improved property with less than four dwelling units, c) residential taxable condominium or d) resource taxable vacant land.

    c. Sale:
    The property either did not transfer or, if transferred, was to certain close relatives such as a spouse, child, grandchild, great grandchild, parent, grandparent, brother or sister. The property may also be transferred to family trusts or farm cooperatives.

    d. Residency:
    The property must be at least 50% owned by a Nova Scotia resident.

8. This data snapshot is a scenario analysis and does not represent actual results of the capped assessment program. The intent of this analysis is to identify the potential assessment and taxation implications of reducing the existing CAP rate to the CPI. The scenario uses a CAP rate of 2.3%, which reflects Nova Scotia's eleven-month average to November, 2006.

It is critical to understand that the results of this analysis are not predictions of what will happen with the CAP at CPI as sufficient information is not available at this time to make that prediction. To fully understand the implications of CAP at CPI, the assessment data must be for the year in which CAP at CPI is put in place (2008-09), the 2008-09 residential/resource municipal expenditure requirement must be established and the CAP application process must be concluded. This data analysis produces results based on 2007-08 assessment data, 2005-06 or 2006-07 residential/resource municipal expenditure estimates and various rates of participation (see below), which is the data that was available at the time of generating the analysis.

9. The rate of participation in the scenario analysis was considered at four levels: 25% participation, 50% participation, 75% participation and 100% participation. The participation levels represent an assumed number of accounts that applied and were accepted in the program. As a point of reference, 100% participation assumes that every account that meets market, physical, sale and residency eligibility at the scenario rate is capped, while 0% participation assumes that none of those that could be capped actually were capped. The implications of the CAP at CPI scenario analysis will depend heavily on the participation rate, which will be unknown until the application process for 2008-09 has concluded. For 2007-08, the provincial participation rate for the CAP at 10% was slightly over 25% (number capped ÷ number eligible).

10. As noted, the "Scenario Analysis: 2007-08 Capped Assessment Program Snapshot" is structured to report the potential results of a CAP rate set at 2.3%, at various rates of participation. This report uses actual filed assessment data for 2007-08, modified by scenario parameters (CAP rate of 2.3%, participation rates of 25%, 50%, 75% and 100%) and relies on tax rate information from prior years (2005-06, 2006-07).

Snapshot Variables

This data snapshot is a tool to assist in understanding the impact of the CAP at a municipal unit level and potential implications of CAP at CPI, using data currently available. In addition to unit-level analysis, the results are broken down by assessed value range allowing for the general interpretation of data as it relates to property value.

The data snapshot is comprised of three sections:

d) account summary;
e) eligible account summary;
f) impact on taxation.

The definitions of the variables within each section are presented below.

It is critical to understand what each variable represents, as well as the general limiting conditions around the data, prior to interpretation of the snapshot.

a) **ACCOUNT SUMMARY:**

No. of Accounts (total residential/resource taxable)
This represents the total inventory of properties classified as taxable residential or taxable resource. Property types include vacant land, single family dwellings, multiple family dwellings, resource properties (both vacant and improved), condominiums, mobile homes, cottages, etc. This inventory is the base for the determination of the residential/resource tax rate in each municipal unit.

No. Capped (based on participation percentage)
Inventory of accounts that would receive a Capped Assessment Notice at the participation percentage noted on the data report. This inventory will vary based on the participation percentage applied and is the basis of all valuation reduction calculations, as well as taxation impact calculations, for that participation level.

Accounts Capped as % of Total Accounts
Percentage of accounts that would have received a Capped Assessment Notice in relation to the entire residential/resource taxable population in the unit.

This inventory gives an indication of the relationship between capped and non-capped accounts and provides a reference point in terms of the amount of the unit impacted by CAP.

b) **ELIGIBLE ACCOUNT SUMMARY:**

The values produced in the following section are based on the eligible population (see No. Eligible for inventory). Selecting only the eligible inventory allows for conclusions to be drawn in terms of the valuation changes within this sub-group.

The "capped portion" refers to the portion of the account that is able to be capped. This excludes the value of non-cap-able portions of multiple-use accounts (e.g. the value of the residential portion of a residential/commercial split property would be considered the "capped portion", while the value of the commercial portion would be not be included).

In combination, the capped portion of eligible accounts creates a sub-group representing the accounts that could have been capped.

Reduction in Value
The Total Market Value and Total Estimated Value variables enable the identification of the impact of the CAP on assessed values, expressed as the Reduction in Value.

The Reduction in Value is stated in terms of assessment dollars and represents taxable assessment not captured on the capped assessment roll as a result of the capped assessment program at the participation rate. This variable represents all valuation change as a result of the CAP as no accounts outside of this sub-group are able to be capped.

Reduction as % of Total Market Value (eligible accounts)
This quantifies the impact of the valuation change as a result of the CAP as it relates to the population of accounts that could have been capped. The reduction is expressed as a percentage of the total market value of this sub-group.

c) **IMPACT ON TAXATION:**

Scenario Tax Rate
This is a recalculation of the tax rate, identifying the rate the municipality would have to set to achieve the estimated residential/resource tax levy if the estimated value (which includes CAP impact at the scenario rate and participation percentage) was used as the basis of taxation.

This rate is calculated by dividing the Estimated Residential/Resource Tax Levy by the Estimated Value based on the scenario rate and participation percentage.

Total Taxes Redistributed
This is the amount of taxation that is redistributed to the population, based on the Reduction in Value and the Tax Rate without Capping variables.

The Reduction in Value identifies the amount of assessment value change resulting from CAP. If the CAP were not in place, this assessment would have been taxed at the account level. Reducing the tax base and maintaining the municipal levy requires these taxes to be "made up" by all accounts (ultimately achieved by increasing the tax rate applied to all accounts). The Total Taxes Redistributed variable calculates the amount of taxation, on a municipal unit level, that must be redistributed to maintain the levy.

Taxes Reduced per Capped Account (average)
Calculated by dividing the Total Taxes Redistributed by the No. Capped inventory, this variable states the average amount each capped account would have been reduced.

Taxes Redistributed per Account (average)
Calculated by dividing the Total Taxes Redistributed by the No. Accounts inventory, this variable identifies the average amount of taxation that would have been spread over the entire residential/resource taxable population.

This variable represents the average increase borne by each residential/resource taxable account in the unit.

Average Net Benefit to Capped Accounts
As identified by the previous two variables (Taxes Reduced per Capped Account and Taxes Redistributed per Account), capping reduces the taxation of those accounts that were capped and increases the taxation of the entire population.

This variable identifies the average net benefit gained by capped accounts, after considering the general increase in taxation to offset capping.

Municipal Snapshots

APPENDIX B

Municipal Government Act – Sections 69 and 70

The following excerpts from the MGA grant municipalities authority to provide tax relief. To view the official version of this act in its entirety, please visit: http://www.gov.ns.ca/legislature/legc/

Section 69

Low income tax exemption policy

69 (1) In this Section and Section 70, "income" means a person's total income from all sources for the calendar year preceding the fiscal year of the municipality and, if so determined by the council, includes the income of all other members of the same family residing in the same household, but does not include an allowance paid pursuant to the War Veterans Allowance Act (Canada) or pension paid pursuant to the Pension Act (Canada).

(2) The council may, by policy,

(a) grant an exemption from taxation, in the amount or to the extent set out in the policy, for a person whose income is below the amount set out in the policy; and

(b) prescribe a scale of exemptions related to income.

(3) The council may provide that a person applying for an exemption pursuant to this Section shall make an affidavit or provide other proof confirming the person's income.

(4) The policy to grant an exemption from taxation may

(a) specify that the exemption only extends to persons who are residents of the municipality or property of a ratepayer occupied as the ratepayer's principal residence;

(b) provide that where a property is assessed to more than one person, any of them who is entitled to an exemption may receive only the portion of the exemption equal to that person's share of the total assessment for the property, but where the different interests are not separate, then to that portion determined by the treasurer, whose determination is final;

(c) specify a date, not less than thirty days after the filing of the assessment roll, after which no application for an exemption will be received. 1998, c. 18, s. 69; 2004, c. 7, s. 6.

Policy for reduction of taxes where destruction
69A (1) The council may, by policy, provide for the reduction, to the extent that the council considers appropriate, of the taxes payable with respect to a property if a building situate on the property has been destroyed or partially destroyed by fire, storm or otherwise and the assessment of the property does not reflect that the building has been destroyed or partially destroyed, and provide for the reimbursement of any overpayment resulting from the reduction.

(2) A policy adopted pursuant to subsection (1) may be made retroactive to April 1, 1999.

(3) Upon a request by the clerk, the Director of Assessment shall value the property for the purpose of a policy adopted pursuant to subsection (1) but, for greater certainty, shall not change the assessment of the property except in accordance with the Assessment Act. 2001, c. 14, s. 2.

Section 70

By-law for postponed payment of rates and taxes

70 (1) The council may, by by-law, provide for the postponed payment of all, or a defined portion of, rates and taxes by persons whose income is below the amount set out in the by-law.

(2) A by-law passed pursuant to this Section

(a) applies only to the property of a person occupied by that person as the person's principal residence;

(b) may provide that taxes be postponed for a certain period, or until the death of the assessed owner or other specified contingency;

(c) may provide for the postponement of tax collection procedures for the current year;

(d) may prescribe the procedure for applying for the benefits of the by-law, including the required forms and affidavits;

(e) may provide for interest on the taxes postponed.

(3) A limitation period affecting a municipality's entitlement to collect postponed taxes does not begin until the period of postponement expires.

(4) Where a municipality provides that only a portion of the taxes due may be postponed and where the portion that is required to be paid is three years overdue, the period of postponement terminates thirty days after the treasurer notifies the person whose taxes have been postponed, unless the taxes that were not postponed are paid before the expiration of the thirty days.

(5) Except as otherwise provided by this Act or another Act of the Legislature, a council shall not relieve a taxpayer from all or a portion of taxes. 1998, c. 18, s. 70.

Tax exemption by-law for certain organizations
71 (1) The council may, by by-law, exempt from taxation, to the extent and under the conditions set out in the by-law

(a) property

(i) of a named registered Canadian charitable organization, and

(ii) that is used directly and solely for a charitable purpose;

(b) property of a nonprofit community, charitable, fraternal, educational, recreational, religious, cultural or sporting organization if, in the opinion of the council, the organization provides a service that might otherwise be a responsibility of the council;

(c) and (d) repealed 2001, c. 14, s. 3.

(e) the buildings, pump stations, deep well pumps, main transmission lines, distribution lines, meters and associated plant and equipment of a municipal water utility.

(2) The council may, by by-law, to the extent and under the conditions set out in the by-law, provide that the tax payable with respect to all or part of the taxable commercial property of any nonprofit community, charitable, fraternal, educational, recreational, religious, cultural or sporting organization named in the by-law be reduced to the tax that would otherwise be payable if the property were residential property, inclusive of area rates.

(3) A tax exemption or reduction pursuant to this Section shall be shown on the tax bill and accounted for by the municipality as an expenditure.

(4) The council may, in its discretion, refuse to grant an exemption or reduction pursuant to this Section and a by-law made pursuant to this Section extends only to properties specifically named in the by-law.

(5) An exemption given pursuant to this Section does not apply to area rates or the fire protection rate unless specified in the by-law.

(6) A by-law made pursuant to this Section has effect in the fiscal year following the fiscal year in which it is published, unless the by-law sets a different effective date, including an effective date retroactive to the beginning of the current fiscal year. 1998, c. 18, s. 71; 2001, c. 14, s. 3; 2001, c. 35, s. 7; 2005, c. 9, s. 7.

Tax reduction by-law for day cares
71A (1) The council may, by by-law, to the extent and under the conditions set out in the by-law, provide that the tax payable with respect to all or part of the taxable commercial property of any day care licensed under the Day Care Act be reduced to the tax that would be payable if the property were residential property, including area rates.

(2) A by-law made pursuant to this Section may have an effective date retroactive to the beginning of the current fiscal year. 2004, c. 7, s. 7; 2005, c. 9, s. 8.

APPENDIX C

Municipal Government Act (MGA)

INFORMATION BULLETIN #8

TAX RELIEF

INFORMATION BULLETIN #8

TAX RELIEF

- Revised -

Summary: Municipalities may provide tax exemptions for low-income taxpayers and may provide for tax deferral.

Legislation: Specific - Sections 69, 70

Discussion: Various provisions of the *Municipal Government Act* allow for tax relief. This note is concerned with the low-income exemption (Section 69) and the postponed payment of taxes (Section 70).

Low-income Exemption

The low-income exemption is what was sometimes called the widows' and orphans' exemption. The exemption applies to everyone whose income is below the amount set by council.

The amount of the exemption is set by council by policy. The exemption amount is the tax reduction council wishes to provide. The exemption may be limited to property occupied as the taxpayer's principal residence. Generally, the provisions are the same as in the predecessor legislation, although the final date to apply is now at least thirty days after the assessment roll is filed, not twenty-one.

The low-income exemption allows municipalities to make the property tax more progressive (closer to ability to pay) by reducing the tax paid by poorer taxpayers.

Tax Deferral

For most municipal units the power to permit the postponement of the payment of all or part of a person's taxes is new. In order to exercise the power, the postponement option must be adopted by by-law. The by-law sets out a program available to all who qualify. There is no discretion in the application of the program.

The by-law must

- define the income amount for people who would qualify.

- specify for how long the taxes are to be postponed. Common end dates would be so long as the property is occupied by the taxpayer, or the taxpayer's income remains below the set amount, or the property is sold or transferred. Most often it would be the earliest of the contingencies specified. Note that the tax lien and other limitation periods are extended for the full period of the postponement: s.70(3).

- include appropriate procedural provisions, including forms, affidavits to verify income and the like and other forms.

- specify whether to charge interest on the taxes postponed, and if so, at what rate.

Most councils that choose to implement a tax postponement bylaw will want to charge interest, but possibly not as much as is usually charged on outstanding taxes. Interest charges on taxes are generally set at a rate that encourages prompt payment. In instances where tax deferrals are appropriate, a council may want to alleviate this additional burden. See generally s.70(2).

A municipality may choose to postpone only a portion of the annual taxes that fall due. It is possible to establish a range or scale of postponed taxes, possibly related to income so that the lower the person's income the larger the portion of taxes that could be deferred or postponed. This is a matter for council to determine.

The Act provides that if some part of the taxes continues to be payable, but are not paid, when the taxes are three years in arrears the postponement ends: s.70(4). This essentially means that if there are tax arrears for which tax sale proceedings must be started as required by Section 134(2), the sale will be for all outstanding taxes including those that have been postponed. As this would greatly increase the amount the taxpayer would have to pay to stop the sale, it should be a strong incentive to keep the reduced tax payments up to date.

Tax deferral is usually seen as a way to help low-income taxpayers remain in their homes.

Income Defined

For purposes of both provisions, income is defined in subsection 69(1). Income means total income from all sources for the preceding calendar year (the same year people file income tax returns for). Council can determine to what extent income from others in the same household should be included. Income from pensions under the *War Veterans' Allowance Act* (federal war veterans' pensions) and under the *Pension Act* (death and disability pensions for veterans and their dependents) is specifically excluded as income.

Date Produced: February 1999

Note: The reader is cautioned that preparation of this and subsequent Information Bulletins containing practical suggestions must necessarily involve interpretation of legislation as it applies in general situations. Specific situations may require careful legal analysis and therefore reference should be made to the *Municipal Government Act*, other relevant legislation and to legal advisors.

APPENDIX D

Municipal Property Tax Relief for Low Income Taxpayers (2007)						
Provided Under the Municipal Government Act						
	Tax Exemptions					
	Yes	No	Eligibility	Number of Recipients	Cost to Municipality	Amount of Exemption
Regional Municipalities						
Cape Breton	X		$14,500	640	$80,000	$ 125.00
Halifax *	X		$27,000	2,750	$1,100,000	$ 400.00
Queens	X		$17,000	200+		$ 200.00
Towns						
Amherst	X		$14,000	35		$ 150.00
Annapolis Royal	X		$18,000	0		$ 100.00
Antigonish	X		$14,000	20		$ 125.00
Berwick	X		$20,982	26		$ 240.00
Bridgetown	X		$14,500	3		$ 100.00
Bridgewater	X		$18,200	66	$19,074	See attached
Canso	X		$12,000	3		$ 75.00
Clark's Harbour	X		$14,000	15-20		$ 100.00
Digby	X		$15,000	10		$ 90.00
Hantsport		X				
Kentville	X		$21,000	30-35		$ 200.00
Lockeport	X		$13,000	6		$ 100.00
Lunenburg	X		See attached			
Mahone Bay	X		See attached			
Middleton	X		See attached			
Mulgrave	X		$16,000	6-8	$1,834	$ 300.00
New Glasgow	X		$16,400	100		$ 285.00
Oxford		X				
Parrsboro	X		$14,500	10+		$ 100.00
Pictou	X		$15,000	13	$1,885	$ 145.00
Port Hawkesbury	X		$16,000	38	$7,600	
Shelburne		X				
Springhill	X		$14,000	5		$ 90.00
Stellarton	X		$16,000	39		$ 150.00
Stewiacke	X		$15,000	5		$ 150.00
Trenton	X		$14,838	30		$ 150.00
Truro	X		$15,000	35		$ 150.00
Westville	X		$13,920	29		$ 155.00
Windsor	X		$13,000	4	$600	$ 150.00
Wolfville	X		$12,000	6-8		$ 200.00
Yarmouth	X		$21,000	45+		$ 500.00

Municipal Government Act						
Property Tax Relief for Low-income Taxpayers (2007)						
	Tax Exemptions					
	Yes	No	Eligibility	Number of Recipients	Cost to Municipality	Amount of Exemption
Rural Municipalities						
Annapolis	X		$15,500	182	$20,020	$110
Antigonish	X		$15,000	992	$9,922	$100
Argyle	X		$15,275	80-85	$12,440	$150
Barrington	X	See attached				
Chester	X	See attached				
Clare	X		$16,000	40-55	3000-4000	$75
Colchester	X	See attached				
Cumberland	X		$15,300	150-200		$100
Digby	X		$16,000	63	$6,300	$100
Guysborougl	X		$17,422			$100
Hants East	X		13,805-17,00	100		$125
Hants West		X				
Inverness	X		$12,000	300-500		$50
Kings	X	See attached				
Lunenburg		X				
Pictou	X		$17,000	0ver 200	$22,000	
Richmond		X				
Shelburne	X		$15,000	30	$5,300	$150
St. Mary's	X		$15,000	30		$75
Victoria	X		$15,000	61		$100
Yarmouth	X		$15,728	36	$5,333	$150

Municipal Government Act Tax Relief for Low Income Taxpayers (2007) - Notes			
Municipality	**Recipients**	**Amount**	
Town of Bridgewater			
16,000 & under		$	360.00
16,001-17,100		$	240.00
17,101 - 18,200		$	120.00
Town of Lunenburg			
17,000 & under	24	$	400.00
17,001 - 18,000	4	$	300.00
18,001 - 19,000	1	$	200.00
19,001 - 20,000	2	$	100.00
Town of Mahone Bay			
0 - 15,000	9	$	400.00
15,001 - 16,000	4	$	300.00
16,001 - 17,000	2	$	200.00
17,001 - 18,000	2	$	100.00
Town of Middleton			
12,500	2	$	300.00
12,501-15,000		$	200.00
Mun. of Barrington			
14,499	112	$	150.00
14,500 - 17,700	38	$	175.00
Mun. of Chester			
12,500		$	300.00
12,501-15,000		$	200.00
Mun. of Colchester			
19,000 or less	*single person:*	$	150.00
25,000 or less	*family of 2:*	$	200.00
30,000 or less	*family of 3:*	$	250.00
Mun. of Cumberland			
15,300	150-200	$	100.00
15,301 - 17,350		$	50.00
Mun. of Hants East			
13,805 - 17,000	100	$	125.00
17,257 - 32,104			
Mun. of Kings			
17,000	514	$	100.00
20,000	680	$	125.00

*****For Halifax Regional Municipality(HRM), income eligibility is $27,000 per household and the amount of exemption of $400 is an estimated average. Also, HRM has tax deferral schemes with over 300 recipients.

APPENDIX E

BILL NO. 40

(as passed, with amendments)

1st Session, 59th General Assembly
Nova Scotia
53 Elizabeth II, 2004

Government Bill

Assessment Act (amended)

CHAPTER 10 OF THE ACTS OF 2004

The Honourable Barry Barnet
Minister of Service Nova Scotia and Municipal Relations

First Reading: October 30, 2003 (LINK TO BILL AS INTRODUCED)

Second Reading: April 19, 2004

Third Reading: May 20, 2004 (WITH COMMITTEE AMENDMENTS)

Royal Assent: May 20, 2004

An Act to Amend Chapter 23 of the Revised Statutes, 1989, the Assessment Act

1 Section 25 of Chapter 23 of the Revised Statutes, 1989, the *Assessment Act*, is amended by adding immediately after clause (b) the following clause:

> (ba) where Section 45A applies to a lot or piece of assessable property, its taxable assessed value determined in accordance with that Section;

2 Subsection 42(1) of Chapter 23 is amended by adding ", subject to Section 45A," immediately after "that" in the seventh line.

3 Chapter 23 is further amended by adding immediately after Section 45 the following heading and Section:

RESIDENTIAL AND RESOURCE PROPERTY TAXATION

45A (1) In this Section,

(a) "base year" means

(i) the 2001-02 municipal taxation year with respect to property to which this Section first applies in the 2005-06 municipal taxation year, and

(ii) the prescribed municipal taxation year with respect to property to which this Section first applies in a municipal taxation year subsequent to 2005-06,

or, where a property, or a partial interest in a property, is acquired in a later municipal taxation year, the immediately following municipal taxation year;

(b) "owner" means a beneficial owner;

I "prescribed" means prescribed by the regulations.

(2) This Section applies to

(a) residential property having no more than one dwelling unit on a single lot;

(b) residential property of a prescribed class; and

I taxable resource property of a prescribed class,

of which at least a half interest is owned by

(d) an individual or individuals ordinarily resident in the Province; or

(e) a member or members of a prescribed class of persons,

or combination thereof.

(3) For the purpose of the *Municipal Government Act* or any other enactment designated by the regulations, “assessed value”, “value of all assessable property” or any term of like meaning refers to the taxable assessed value determined pursuant to this Section.

(4) The taxable assessed value of property for any municipal taxation year is the lesser of

(a) the assessed value; and

(b) the total of

(i) the assessed value of any part of the property to which this Section does not apply,

(ii) the assessed value in the base year of any part of the property to which this Section applies plus the prescribed percentage of that assessed value for each successive municipal taxation year following the base year, and

(iii) the increase in assessed value resulting from construction not included in the base-year assessment plus the prescribed percentage of that assessed value for each successive municipal taxation year following the municipal taxation year of first assessment of the new construction.

(5) Notwithstanding subsection (1), the base year for property does not change upon transfer or devolution of the property or a partial interest in the property to, and only to, a spouse, child, grandchild, great-grandchild, parent or grandparent of an owner of the property, or a member of such other prescribed class of persons, if notice is given to the Director in the prescribed form.

(6) Property of a class not described in or prescribed for the purpose of subsection (2) that is converted to property of a class described in or prescribed for the purpose of subsection (2) is deemed, for the purpose of this Section, to have been acquired in the municipal taxation year during which it was converted, if notice is given to the Director in the prescribed form.

(7) Where an owner of a property becomes ordinarily resident in the Province and as a result this Section applies to the property, the property is deemed, for the purpose of this Section, to have been acquired in the municipal taxation year during which the owner became ordinarily resident in the Province, if notice is given to the Director in the prescribed form.

(8) Where an owner of a property to which this Section applies

(a) ceases to be ordinarily resident in the Province; or

(b) converts the property to a class not described in or prescribed for the purpose of subsection (2),

the owner shall give notice to the Director in the prescribed form.

(9) An owner of property claiming to be ordinarily resident in the Province shall, where required by the regulations or when requested by the Director, provide to the Director or the clerk such evidence of such residence as and in such form and within such time as the regulations or the Director, as the case may be, may require.

(10) Where an owner of property fails to comply with subsection (9) in any municipal taxation year, the owner is deemed not to be ordinarily resident in the Province in that year for the purpose of applying this Section in that year.

(11) Notwithstanding clause (b) of subsection (4), the Director may, when determining the taxable assessed value of a property for a particular municipal taxation year for the purpose of that clause, correct an error in the assessed value or in the increase in assessed value for that and subsequent municipal taxation years but, for greater certainty, nothing in this subsection affects the taxable assessed value of the property in previous municipal taxation years.

(12) The Minister shall

(a) for the municipal taxation years 2002-03, 2003-04, 2004-05 and 2005-06, before December 1, 2004;

(b) for the municipal taxation year 2006-07, before December 1, 2005;

I for the municipal taxation year 2007-08, before December 1, 2006,

table in the House of Assembly if the House is then sitting or, if the House is not then sitting, file with the Clerk of the House a report setting out the prescribed percentage referred to in subsection (4).

(13) The Minister shall, before April 1, 2007, review the operation of this Section and table in the House of Assembly if the House is then sitting or, if the House is not then sitting, file with the Clerk of the House a report of that review.

(14) This Section applies with respect to the 2005-06, 2006-07 and 2007-08 municipal taxation years.

4 Section 179 of Chapter 23, as amended by Chapter 3 of the Acts of 2001, is further amended by

(a) adding “(1)” immediately after the Section number;

(b) adding immediately after clause (b) the following clauses:

(ba) prescribing a municipal taxation year as a base year for the purpose of Section 45A;

(bb) prescribing classes of residential property and prescribing classes of taxable resource property to which Section 45A applies;

(bc) prescribing additional classes of persons to whom Section 45A applies and prescribing additional rules for the operation of Section 45A with respect to those classes of persons;

(bd) designating an enactment for the purpose of Section 45A;

(be) prescribing a percentage for each municipal taxation year for the purpose of calculating the taxable assessed value of a property pursuant to Section 45A;

(bf) prescribing additional classes of persons to whom property may be transferred without effecting a change in the base year for the purpose of Section 45A;

(bg) respecting proof of ordinary residence in the Province;

(bh) prescribing forms of notice for the purpose of Section 45A;

and

I adding the following subsections:

(2) In prescribing a class of property to which Section 45A applies, Section 45A may be made to apply to

(a) all of the property of that class except that part that is assessable property of a kind specified in the regulations; or

(b) that part of the property of that class that is assessable property of a kind specified in the regulations.

(3) Where additional classes of property to which or additional classes of persons to whom Section 45A applies are prescribed after the first municipal taxation year to which Section 45A applies, the regulations prescribing such additional classes must prescribe a base year for such classes.

5 Subsection 54(2) of Chapter 494 of the Revised Statutes, 1989, the *Vital Statistics Act*, as enacted by Chapter 29 of the Acts of 2000 and amended by Chapter 31 of the Acts of 2001, is further amended by relettering clauses (a) and (aa) as clauses (aa) and (ab) and adding the following clause:

(a) a spouse under Section 45A of the *Assessment Act*;

APPENDIX F

Capped Assessment Program (CAP)

APPLICATION FORM

Service Nova Scotia
and Municipal Relations

Application for the CAP Assessment Program

What is the CAP Assessment Program?

The CAP Assessment Program (CAP) is a program designed to protect Nova Scotia property owners from dramatic increases in market value assessment by limiting or "capping" annual taxable residential assessment increases in eligible properties.

Am I eligible for the CAP on my assessment?

In order to qualify for an assessment cap, your property must:

- be at least 50% owned by a Nova Scotia resident
- be classified as taxable residential or taxable vacant resource property
- have an increase in market value assessment greater than the CAP percentage excluding any new assessment value as a result of construction or renovations to the property
- have not sold/transferred, or if sold/transferred, then only to certain close relatives such as a spouse, child, grandchild, great grandchild, parent, grandparent, brother or sister. The property may also be sold/transferred to family trusts or farm cooperatives and remain eligible.

How do I apply?

Fill out the attached application form and send to:

Service Nova Scotia and Municipal Relations
P.O. Box 6886
Port Hawkesbury, Nova Scotia B9A 2W2

Or drop it off at your Regional Assessment Office

- Property owners who may be eligible only need to complete the application once - your application is maintained for future years.
- If the property is owned by multiple owners, only one application is required on behalf of all owners and the application is maintained for future years.
- If you own more than one property, it is necessary to submit an application for each property you wish to have considered for the CAP.

Your application must be received by September 30

What happens once I apply?

Once we receive your application, it will be processed to determine eligibility. You will be notified of the result of your application in January when you receive your formal assessment notice.

Where do I get more information?

Visit our website at **www.nsassessment.ca/cap** or call us at 1-800-667-5727.

HOW TO COMPLETE AND SUBMIT YOUR CAP APPLICATION FORM

There are six (6) steps in completing your application form. Please provide as accurate information as possible. All sections must be completed in order to process your application. If the property has more than one owner, only one person need apply per property. If you own more than one property, it is necessary to make an application for each individual property.

If you require assistance to complete your application form or for additional information, please call **1-800-667-5727** or visit **www.nsassessment.ca/cap** and click on the FAQ link.

STEP 1: PROPERTY AND OWNER INFORMATION

Please provide your property information. All sections must be completed in order to process your application.

- **Assessed Owner:** Name of the assessed owner on the property account.
- **Assessment Account Number (AAN):** You can find your AAN on your assessment notice, previous notices, or by contacting your local assessment office.
- **If the property is a condominium** please indicate if it is owner occupied.
- **Address of Property:** Physical address/location of the property for which you are applying.

STEP 2: NOVA SCOTIA RESIDENCY

The assessed owner must be a Nova Scotia resident in order to qualify for the CAP Program. For the purposes of the CAP Program, a resident of the Province of Nova Scotia must reside in the province at least 183 days per year.

STEP 3: FAMILY TRANSACTIONS

For the purpose of determining your eligibility, please indicate all property sales/transfers involving a family member since January 1, 2001. Property transactions could include sales, transfers, title clearances and name changes but not mortgage documents. Please indicate if previous owner was a spouse, child, grandchild, great grandchild, parent, grandparent, brother or sister, or family trust or farm cooperative. If you require assistance, please contact your local assessment office.

STEP 4: CONTACT INFORMATION

If we need to contact you for information about this application, please indicate your preferred method of communication.

If it is preferred that we contact someone other than who is listed as the assessed owner, please provide their contact details.

STEP 5: SIGNATURE

After completing, be sure to sign and date your application. If you are not the assessed owner of the property, please indicate relationship to the owner. **Please make a copy for your records.**

STEP 6: RETURN YOUR COMPLETED FORM

Please return your completed form:

By mail: Service Nova Scotia and Municipal Relations
P.O. Box 6886
Port Hawkesbury, Nova Scotia
B9A 2W2

Drop off: Your local assessment office

Your application must be received by September 30.

You will be notified in January of the result of your application(s) with your formal assessment notice(s).

* Legislation for the CAP program can be found in section 45A of the Nova Scotia Assessment Act at http://www.gov.ns.ca/legislature/legc/

NOVA SCOTIA

Service Nova Scotia
and Municipal Relations

Application for the CAP Assessment Program

Your application must be received by September 30

1 PROPERTY INFORMATION

For office use only

Juri ______________________

MU ______________________

Assessment Account Number (AAN): ______________________

Assessed Owner: ______________________

Condos: Is this condo owner occupied?

☐ Yes ☐ No

Address of Property:

____

____

2 NOVA SCOTIA RESIDENCY

I, ______________________ (please **print** full name), the assessed owner of the above property, am a resident of the Province of Nova Scotia. This property is at least 50% owned by Nova Scotia residents.

3 FAMILY TRANSACTIONS

For the purpose of determining your eligibility, please indicate all property transfers or sales since 2001, to a family member (spouse, child, grandchild, great grandchild, parent, grandparent, brother or sister or family trusts and farm cooperatives). Please indicate the name of the previous owner and your relationship to them.

✓ **History of Property Transactions (if applicable):**

Date of transaction: ______________________ Previous Owner: ______________________

Relationship to Previous Owner: ______________________

Date of transaction: ______________________ Previous Owner: ______________________

Relationship to Previous Owner: ______________________

Date of transaction: ______________________ Previous Owner: ______________________

Relationship to Previous Owner: ______________________

Date of transaction: ______________________ Previous Owner: ______________________

Relationship to Previous Owner: ______________________

Date of transaction: ______________________ Previous Owner: ______________________

Relationship to Previous Owner: ______________________

4 CONTACT INFORMATION

If we need to contact you for information about this application, please indicate your preferred method of communication by checking one of the following boxes.

☐ **E-mail** ☐ **Telephone** ☐ **Fax** ☐ **Mail**

Please provide your contact information: ______________________

____

Is the above listed person the property owner? ☐ Yes ☐ No

5 SIGNATURE

I, the undersigned, confirm the information presented to be correct to the best of my knowledge.

Signature of assessed owner: ______________________ Date: ______________________

If you have questions or require additional information, please visit our website at www.nsassessment.ca/cap or call 1-800-667-5727. Please make a copy of this application for your files.

6 RETURN YOUR COMPLETED FORM BY SEPTEMBER 30

Please return by mail to:

Service Nova Scotia and Municipal Relations
P.O. Box 6886
Port Hawkesbury, Nova Scotia B9A 2W2

Or drop it off at your nearest Regional Assessment Office:

CENTRAL REGION

Central Region
Assessment Office
2nd Floor, Torrington Place
780 Windmill Rd
Dartmouth, NS B3B 1T3
tel: (902) 424-5225
toll free: 1-800-667-5727

EASTERN REGION

Eastern Region
Assessment Office
500 George Street
Sydney, NS B1P 1K6
tel: (902) 563-2150
toll free: 1-800-529-7708

Port Hawkesbury
Assessment Sub-office
811 Reeves St. Unit 12
Chediac Plaza
Port Hawkesbury, NS B9A 2S4
tel: (902) 625-4250
toll free: 1-800-529-7708

NORTHERN REGION

Northern Region
Assessment Office
136 Esplanade St
Truro, NS B2N 2K3
tel: (902) 893-5800
toll free: 1-800-280-8963

SOUTHERN REGION

Southern Region
Assessment Office
P.O. Box 470
270 Logan Rd
Bridgewater, NS B4V 2X6
tel: (902) 543-2267
toll free: 1-800-380-7775

Yarmouth-Clare
Assessment Office
10 Starrs Rd
Yarmouth, NS B5A 2T1
tel: (902) 742-7143
toll free: 1-800-532-8880

WESTERN REGION

Western Region
Assessment Office
87 Cornwallis St
Kentville NS B4N 2E5
tel: (902) 679-6106
toll free: 1-800-280-8979

NOVA SCOTIA

**Service Nova Scotia
and Municipal Relations**