APPENDIX Z

Formal Submissions Received from Stakeholders:

- Union of Nova Scotia Municipalities (UNSM)
- Assessment Services Transitional Board (ASTB)
- Canadian Federation of Independent Business (CFIB)
- Nova Scotia Chambers of Commerce
- Halifax Chambers of Commerce
- Municipality of the District of Lunenburg
- Municipality of the County of Richmond
- Municipality of the District of Chester
- Region of Queens Municipality
- Town of Lunenburg

MINISTER'S OFFICE
MAR 1 5 2007
Re #1073
SERVICE NOVA SCOTIA
and MUNICIPAL RELATIONS

031207009

March 9, 2006

unsm

The Union
of Nova Scotia
Municipalities

PRESIDENT:
Councillor Russell Walker
Halifax Regional Municipality

VICE-PRESIDENT/ SECRETARY-TREASURER:
Deputy Mayor Robert Wrye
Town of Wolfville

IMMEDIATE PAST-PRESIDENT:
Councillor Richard Cotton
County of Richmond

REGIONAL CAUCUS CHAIR:
Councillor Vince Hall
Cape Breton Regional Municipality

RURAL CAUCUS CHAIR:
Warden Fred Whalen
County of Kings

TOWN CAUCUS CHAIR:
Mayor Billy Joe MacLean
Town of Port Hawkesbury

Honourable Rodney MacDonald
Premier
Province of Nova Scotia
P. O. Box 726
Halifax, NS
B3J 2T3

RECEIVED
MAR 13 2007
PREMIER'S OFFICE

Dear Premier MacDonald:

Yesterday, the UNSM convened an emergency meeting of Mayors and Wardens. Forty-six of the fifty-five municipalities were represented. Two resolutions were unanimously adopted. They are attached for your review and action.

The UNSM strongly opposes capping of assessments, particularly at CPI. We are calling for a return to the cap level at 10 percent which addresses "dramatic increases" in assessment and for the Program to only be available for principle residences. As well, an income means test is necessary to ensure that capping is benefiting those Nova Scotians truly in need.

The meeting also discussed the agricultural crisis and is calling for a "Buy Nova Scotia" campaign, as well as the development of a strategy, to support this important sector of our Provincial economy.

Municipal leaders appreciate your attention to these two resolutions.

Sincerely,

Russell Walker

Councillor Russell Walker
President, UNSM

RW/iv

enclosures

Suite 1106, 1809 Barrington Street
Halifax, NS
B3J 3K8

Tel: (902) 423-8331
Fax: (902) 425-5592
E-mail: mainunsm@eastlink.ca
Web Site: www.unsm.ca

Resolution on Provincial Capping Legislation
Mayors and Wardens Meeting
March 8, 2007

WHEREAS the Province implemented the CAP Assessment Program (CAP) in 2005 to help protect property owners against dramatic assessment increases by limiting or "capping" the annual increase in eligible property assessments; and

WHEREAS under this legislation the cap was to be set annually by Cabinet through regulation; and

WHEREAS the base year for the program was set at 2001, and the cap for subsequent years set at 15 percent in 2002 and 2003, and 10 percent from 2004 to 2007; and

WHEREAS in 2005 the UNSM established a position to oppose the capping of assessments without an income test because it undermines the fair market value assessment system which is recognized worldwide as the most appropriate method of assessing and taxing property owners; and

WHEREAS in 2006 the Province passed legislation to remove the requirement to set the cap annually through regulation and to establish a fixed annual cap rate based on the Consumer Price Index (CPI) beginning in 2008; and

WHEREAS the Nova Scotia CPI has ranged from 1.6 percent in 2001 to 2.1 percent in 2006; and

WHEREAS this new rate of CPI was supported by all three political parties with absolutely no consultation with municipalities; and

WHEREAS a cap at CPI would no longer be considered "dramatic assessment increases" and would thus undermine the original intent of the program to protect property owners from dramatic increases in assessments; and

WHEREAS UNSM commissioned Deloitte to prepare a report on the impacts of moving the cap from 10 percent to the rate of CPI; and

WHEREAS the report indicated that at an estimated CPI of 2.3 percent, the number of eligible properties receiving the cap (assuming all apply) would increase by 155 percent from 120,000 to 306,000; and

WHEREAS this increase would result in municipal tax rates increasing on average by 5.7 percent to make up for lost revenues caused by the cap; and

WHEREAS as tax rates rise to offset the lower assessment base, the tax burden will shift from capped properties to uncapped properties; and

WHEREAS those municipalities with fewer uncapped properties will have less of a decrease in their Uniform Assessments resulting in these municipalities shouldering a larger share of the burden to pay for Provincial mandatory contributions to education, housing and corrections;

THEREFORE BE IT RESOLVED that while the UNSM continues to oppose assessment capping in any form, the Mayors and Wardens strongly urge the Province to rescind the cap at CPI and to continue setting the cap at 10 percent subject to a means test for principle residences only, until 2010 at which point it will be reviewed by the Province and UNSM.

unsm

The Union
of Nova Scotia
Municipalities

PRESIDENT:
Councillor Russell Walker
Halifax Regional Municipality

VICE-PRESIDENT/ SECRETARY-TREASURER:
Deputy Mayor Robert Wrye
Town of Wolfville

IMMEDIATE PAST-PRESIDENT:
Councillor Richard Cotton
County of Richmond

REGIONAL CAUCUS CHAIR:
Councillor Vince Hall
Cape Breton Regional Municipality

RURAL CAUCUS CHAIR:
Warden Fred Whalen
County of Kings

TOWN CAUCUS CHAIR:
Mayor Billy Joe MacLean
Town of Port Hawkesbury

Suite 1106, 1809 Barrington Street
Halifax, NS
B3J 3K8

Tel: (902) 423-8331
Fax: (902) 425-5592
E-mail: mainunsm@eastlink.ca
Web Site: www.unsm.ca

March 6, 2007

Mr. Jeff Shute
Director, Policy & Finance, Municipal Services
Service Nova Scotia & Municipal Relations
P. O. Box 216
Halifax, NS
B3J 2M4

Dear Mr. Shute:

I wanted to thank you for your informative presentation given on February 26 to the UNSM Board of Directors on assessment capping.

As you are aware, while the UNSM Board is opposed to assessment capping in any form, we have grave concerns over the Province's direction to cap assessments at CPI. These concerns were echoed at the various cap review sessions held across the province. Many of these concerns are outlined in the Deloitte Study commissioned by the UNSM.

The UNSM Board of Directors opposes capping assessments at CPI for the following reasons:

- It will result in a significant rise in municipal tax rates to make up for lost revenues caused by the cap.
- It will result in a shift in the tax burden from capped properties to uncapped properties.
- A larger burden will be placed on municipal units with fewer uncapped properties who will have less of a decrease in their Uniform Assessments. This will result in these units shouldering a larger share of Provincial mandatory municipal contributions. This will have a severe negative impact on small towns.
- It undermines the fair market value assessment system which is recognized worldwide as the most appropriate method of assessing and taxing property owners.
- It does not include an income test to determine those property owners who are challenged with an ability to pay their property taxes due to rising assessments.
- The shift from a ten percent capping rate to that of CPI was supported by all three political parties with absolutely no consultation with municipalities.
- The program penalizes residents who build a new home or buy a home because they will be assessed at the market value.
- Assessment increases by CPI would not constitute addressing "dramatically rising assessments" which is the mandate for the capping program.
- The cap program is not based on ability to pay like income tax. As a result, only property owners with increased assessments will benefit.

unsm

Mr. Jeff Shute
Page 2
March 6, 2007

Other general comments include:

- The Provincial Capping Report should include a category for the number of provincial accounts with assessments between $0-$75,000 to capture those property owners with potentially lower incomes.
- The online survey sent to the AMA and session participants should have been emailed to all Mayors, Wardens and CAOs.
- The current system of self-identification for residency status is inappropriate. More stringent rules should be developed to prove Nova Scotia residency status.
- Currently the province is using the calendar year for the capping program. This will be problematic given that CPI for the previous year is not established until mid-January. The legislation will need to be amended given this anomaly.

There is no question that shifting the cap from ten percent to CPI will have severe negative impacts on uncapped property owners and municipalities with fewer uncapped properties. The results of these impacts were made clear in the Deloitte Report commissioned by the UNSM and in the Provincial Report prepared by SNSMR.

Please include all of these points when preparing your final report on the outcomes of your information sessions.

I hope the Province will heed the advice of the UNSM Board and municipalities and reconsider capping property assessments at CPI. If the Province chooses to retain the capping program, we would ask that the cap remain at ten percent.

Sincerely,

Russell Walker

Councillor Russell Walker
President, UNSM

RW/tv

Deloitte.

CAP Program Analysis

Union of Nova Scotia Municipalities

February 2007

Audit.Tax.Consulting.Financial Advisory.

Executive summary

- The Cap Assessment Program (CAP) was implemented in 2005 to help protect property owners against dramatic assessment increases by limiting or "capping" the annual increase in eligible property assessments.
- The CAP was set at 10% in 2005. Beginning in 2008 the CAP will be linked to the CPI rate for Nova Scotia. The CPI rate has ranged from 1.8% to 3.4% between 2001 and 2006.
- In addition to meeting other physical criteria, in order for qualify for CAP relief a property must be classified as taxable residential or vacant resource.
- Property owners must apply for CAP, but once they have applied they will be automatically considered in future years. There were 33,500 applications for 2005, followed by 23,700 for 2006 and 6,900 for 2007. Lowering the CAP threshold to CPI will make more than 300,000 properties eligible, and increase the value of the program for properties that were eligible under the 10% CAP. We expect the number of applications to grow for 2008.
- In 2007 there were approximately 460,000 properties with a residential or resource component. With a 10% CAP there were 120,000 properties eligible for CAP, and 33,000 which received relief.
- CAP resulted in a $441,257,900 reduction in market assessments for 2007.
- Assessment values are used to calculate property taxes. Property taxes are the main revenue stream for municipalities.
- Across the province, the significance of CAP for individual municipalities varies. Municipalities along the south shore have been most affected by CAP when we measured the reduction in market assessment as a percentage of overall residential/resource assessments.

Executive summary (cont'd)

- Based on the assumption that municipalities would require the same level of revenue, property tax rates need to be higher to collect the same revenue from a smaller assessment base.
  - Using this logic we projected that tax rates are on average 1% higher with CAP than they would be without CAP. The most affected municipality is Chester, which has a tax rate that is projected to be 7.9% higher than it would be without CAP.
  - The revenue lost through a reduction in market assessment for properties in CAP is redistributed across the entire residential and resource assessment base in the form of higher tax rates.
  - Residential and resource properties which are not capped shoulder a larger percentage of the tax burden. Tax shifted from capped properties to uncapped properties was generally less than 1% in most municipalities, with a high of 7.9% for Chester.
- Significantly more properties will be eligible for relief when the CAP threshold is lowered to Consumer Price Index (CPI).
  - Across the province, it is anticipated 67% of all residential/resource properties will be eligible for CAP.
  - Tax rates are further influenced; we project that tax rates are on average 5.7% higher with a CAP at CPI than if there was no CAP.
- As tax rates rise to offset the lower assessment base, uncapped properties pay more tax, and a larger percentage of the overall tax generated.
- Removing the application requirement means more properties receiving relief, resulting in a larger effect on tax rates and a higher percentage of tax paid by properties not in the CAP program.
- Mandatory contributions collected from municipalities for services such as education, corrections and assessments are calculated based on Uniform Assessment. As with the property tax rate, the rate used to calculate mandatory contributions may be higher due to the reduced assessment base. The effect of the higher rate would be that municipalities which have seen the least impact on their assessments will pay a higher percentage than they otherwise would.

Project background

- Property assessments are a key input in determining tax rates and revenues for Nova Scotia municipalities.
- The Union of Nova Scotia Municipalities asked Deloitte to analyze the CAP Program to answer five key questions:
  1. What has been the impact of the 10% cap over the past three years, i.e. to what extent has there been a shift in tax burden? Who has been impacted by the shift in tax burden?
  2. What has been the cost associated with administering the CAP over the past three years?
  3. What is the expected impact of lowering the cap to Consumer Price Index (CPI)?
  4. What is the potential impact of removing the application requirement for the Program?
  5. What are the implications of CAP to uniform assessments and mandatory contributions?

Our analysis

In order to address the five questions, this report provides the following information:

- Program background
- Administration costs of CAP
- Participation in CAP
- The relevance of CAP to municipalities
  - What is the impact on property tax rates?
  - Who is most affected?
- The relevance of CAP to property owners
  - What is the impact on property tax bills?
  - Who is most affected?
  - Has there been a shifting of burden?
- Impact of moving CAP to Consumer Price Index
- Impact of removing the application requirement
- Impact of CAP on mandatory contributions to the Province

Program background

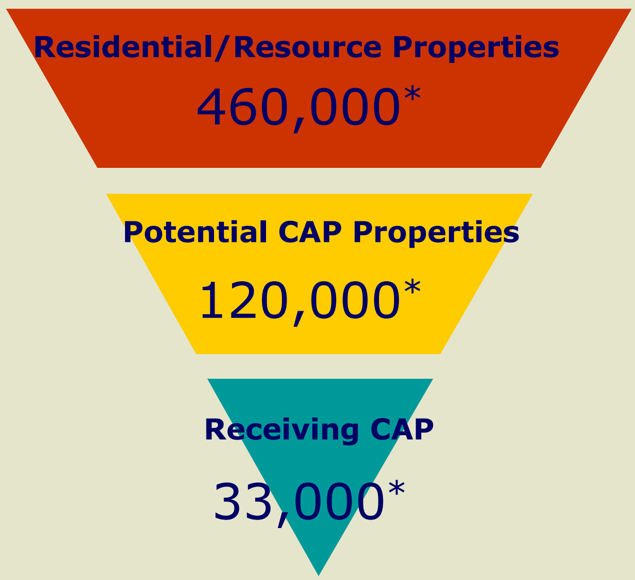
- The Cap Assessment Program (CAP) was implemented to help protect property owners against dramatic assessment increases by limiting or "capping" the annual increase in eligible property assessments. The Program is a result of legislation passed by the Nova Scotia legislature in May 2004. This program came into effect with the 2005 assessment.
- The CAP Program does not affect the market value assessment of properties. All properties in Nova Scotia continue to be assessed at market value.
- Municipalities use capped assessment values when calculating property taxes. The cap limits the amount of assessment increase that municipalities can use to determine the amount of property taxes.
- The cap percentage is the amount the property must have increased in order to be considered eligible. It is set by the Government of Nova Scotia. The base year is 2001. The cap for subsequent years was 15% in 2002, 15% in 2003, and 10% each year from 2004-2007.
- In November 2006 the CAP Program was amended by the Government. Effective January 2008 the cap will be the same percentage as the Consumer Price Index. The CPI between 2002 and 2005 has ranged from 1.8% to 3.4%.

Program background (cont'd)

- In order to be a "potential CAP property" the property must:
  - Be at least 50% owned by a Nova Scotia resident (residency is defined as someone who lives in Nova Scotia no less than 183 days a year);
  - Be classed as taxable residential or taxable vacant resource property;
  - Have a market value increase that exceeds the cap, excluding construction;
  - Be owned by the same person or transferred to certain close relatives such as a spouse, child, grandchild, great grandchild, parent, grandparent, brother or sister. The property may also be owned by or transferred to family trusts or farm cooperatives; and
  - If a condo, be owner-occupied.

CAP funnel

2007 Assessment Year



*Approximate values

CAP resulted in a $441,257,900 reduction in Market Assessments.

CAP administrative costs

- This table represents the known costs that have been reported against the CAP cost centre.
- The figures are not reflective of the total cost of the program since costs charged against other cost centres are not readily available. The table under-represents the true cost of the CAP Program.
- Assessment costs, including those related to CAP, are funded through mandatory contributions collected from municipalities.
- The 2006/07 Actuals to date reflect, 87% of the CAP program estimate of $395,100.

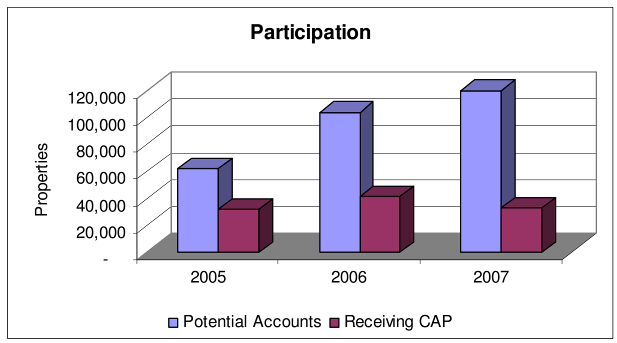
Expenditure	2004/05 Actuals	2005/06 Actuals	2006/07 Actuals YTD
Salaries & Benefits	-	$27,227	$33,021
Travel	$28,978	$15,608	$91
Professional Services	$159,240	$26,667	$1,593
Printing / Stationery	$42,152	$41,239	$4,624
Postage	$31,735	-	-
IT Software Maintenance	$48,612	$249,119	$186,500
Amortization	$15,798	$185,629	$104,416
Misc other operating	$4,386	$4,775	$4,195
Total	**$330,902**	**$550,263**	**$334,439**

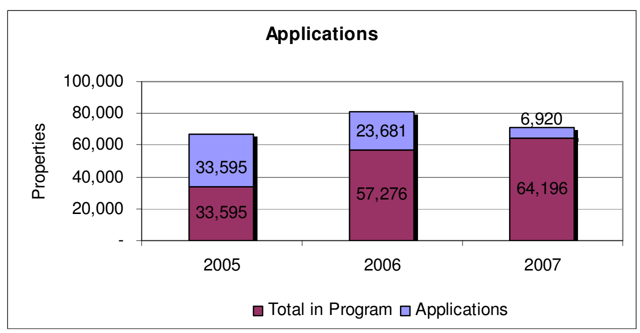
CAP Program implementation required custom software supplement to existing system.

Capital costs of $690,000 funded by the Tangible Capital Asset Fund.

Participation in CAP

- The number of “potential CAP properties” has grown steadily while the number of properties in the Program has remained largely static.
- The number of potential CAP properties was influenced by the inclusion of condominiums beginning in the 2006 assessment year.
- An initial wave of **33,500** applications when the program was introduced for 2005 has steadily declined. For 2006 there were **23,700** applications, and **6,900** for 2007.
- Once a property has applied to CAP the property will be automatically considered for relief in future years.
- The number of applications can be expected to rise if the threshold for CAP is lowered.





CAP relevance by municipality

'Relevance' refers to the reduction in Market Assessment due to CAP as a percentage of the total Market Assessment for Residential and Resource Properties (as of Dec 2006 File Roll).

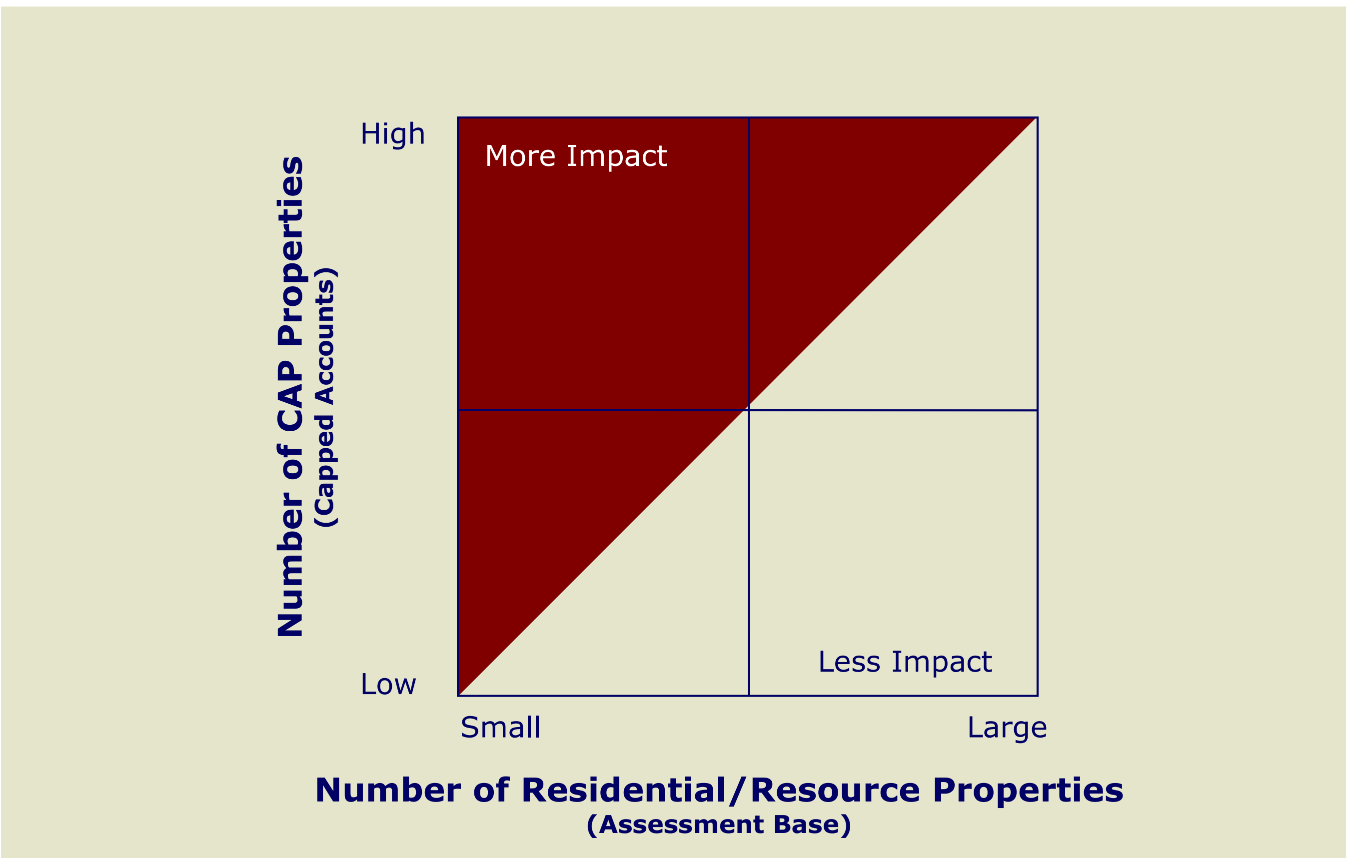
Most relevance

Municipality	Residential/ Resource Assessments (000,000)	Reduction in Assessments from CAP (000,000)	Percentage
Chester	$1,065.2	$78.4	**7.4%**
Lunenburg Dist.	$1,785.8	$100.4	**5.6%**
Lunenburg Town	$159.1	$8.1	**5.1%**
Mahone Bay	$75.6	$3.3	**4.3%**
Shelburne Dist.	$252.4	$10.9	**4.3%**
Inverness Co.	$617.6	$9.1	**1.5%**
Victoria Co.	$398.4	$5.7	**1.4%**
Richmond Co.	$402.7	$5.5	**1.4%**
Region of Queen's	$539.8	$6.9	**1.3%**
Bridgetown	$32.8	$0.5	**1.3%**

Least relevance

Municipality	Residential/ Resource Assessments (000,000)	Reduction in Assessments from CAP (000,000)	Percentage
Clark's Harbour	$25.6	$0.0	**0%**
Canso	$14.0	$0.0	**0%**
Hantsport	$44.0	$0.0	**0%**
Oxford	$38.0	$0.0	**0%**
Parrsboro	$40.0	$0.0	**0%**
Springhill	$85.9	$0.0	**0%**
Middleton	$60.9	$0.0	**0%**
Westville	$90.9	$0.0	**0%**
Trenton	$62.0	$0.0	**0%**
Kentville	$258.3	$0.1	**0%**

Impact of CAP on property tax rates



Projected Impact of CAP on property tax rates (cont'd)

- Property taxes are the primary source of revenue for Nova Scotia's 55 municipalities.
- While the Provincial Government controls legislation relating to assessments, tax rates are set by the municipalities.
- The CAP Program provides assistance to property owners by capping the increase in assessed value that can be used for calculating property taxes.
- To achieve the required revenue stream with a smaller assessment base, municipalities must maintain higher tax rates.
- While the average projected change in tax rate across all municipalities is less than 1%, in the example of Chester, property tax rates are projected to be 7.9% higher than they would otherwise be without CAP.

Top 5 most affected municipal units

Municipality	2006 Tax Rate	Expected Rate w/o CAP*	Change ($)	Change (%)
Chester	0.630	0.584	0.046	**7.9%**
Lunenburg Dist.	0.810	0.764	0.046	**6.0%**
Lunenburg Town	1.490	1.414	0.076	**5.4%**
Shelburne Dist.	1.240	1.187	0.053	**4.5%**
Mahone Bay	1.310	1.253	0.057	**4.5%**

*Model assumes municipalities would need to generate the same revenue stream from residential and resource property tax, regardless of CAP.

Impact of CAP on property tax bills

Property Tax Rate/100
X Assessed Value
= Property Tax Bill

Projected impact of CAP on average property tax bill

Largest average SAVINGS for capped properties

Municipality	Percentage of Residential/ Resource Properties in CAP	**Avg Decrease for CAP Properties**	Avg Increase for Uncapped Properties
Shelburne Town	0.2%	**$346.02**	$0.73
Shelburne District	6.4%	**$344.95**	$23.60
Mahone Bay	28.0%	**$218.98**	$85.60
Port Hawkesbury	0.6%	**$207.64**	$1.16
Bridgetown	9.1%	**$201.85**	$20.24
Chester	20.9%	**$194.65**	$51.34
Stewiacke	0.7%	**$194.04**	$1.31
Trenton	0.3%	**$189.08**	$0.49
Lunenburg District	18.4%	**$173.42**	$39.01
Wolfville	2.2%	**$153.35**	$3.51

Largest average INCREASE for uncapped properties

Municipality	Percentage of Residential/ Resource Properties in CAP	Avg Decrease for CAP Properties	**Avg Increase for Uncapped Properties**
Lunenburg Town	50%	$117.40	**$117.17**
Mahone Bay	28%	$218.98	**$85.06**
Chester	20.9%	$194.65	**$51.34**
Lunenburg District	18.4%	$173.42	**$39.01**
Shelburne District	6.4%	$344.95	**$23.60**
Annapolis Royal	12.0%	$151.39	**$20.58**
Bridgetown	9.1%	$201.85	**$20.24**
HRM	11.0%	$127.91	**$15.82**
Yarmouth Town	11.8%	$103.66	**$13.85**
Victoria County	10.2%	$79.23	**$9.03**

Projected shift of tax burden – 10% CAP

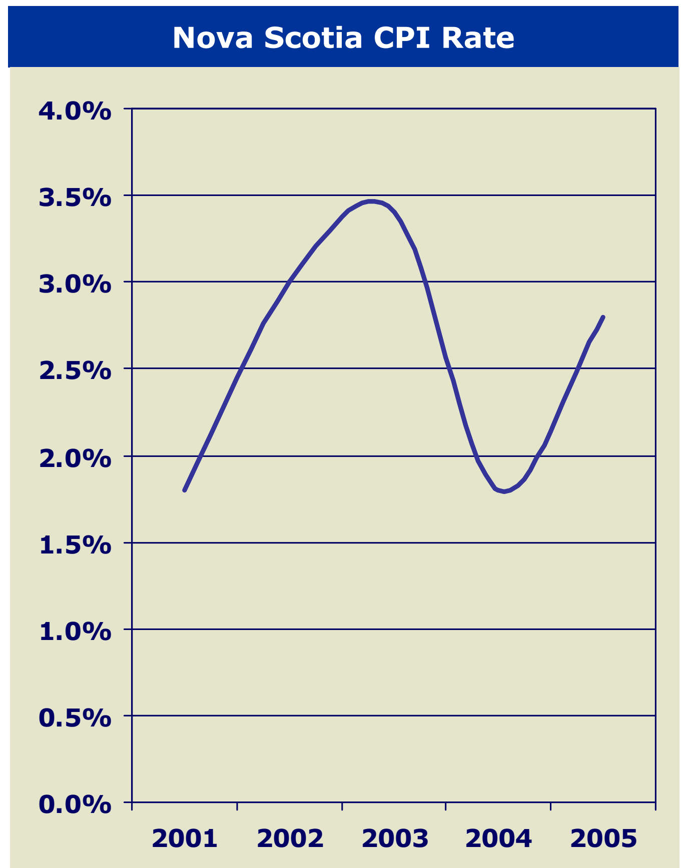
- The concept of shifting of tax burden is based on the principle that a municipality requires a fixed amount of property tax revenue, regardless of whether assessments are capped.
- Capping property assessments provides tax relief to the owners of those properties, but has consequences:
  - Municipalities carry higher property tax rates to account for the smaller assessment base.
  - Both the capped and uncapped properties pay a higher tax rate, but without assessment relief the uncapped properties contribute an increased percentage of overall tax revenue.
- As shown in the table, the tax shifted from capped properties to uncapped properties was generally less than 1% of the overall tax burden, however there are five municipal units that have a substantial change in the tax burden.

Amount of tax paid by uncapped properties

Municipality	Without a CAP Program	With a 10% CAP Program	Percentage Shift
Chester	$4,919,680	$5,310,348	**7.9%**
Lunenburg Dist.	$11,144,640	$11,808,477	**6.0%**
Lunenburg Town	$1,125,900	$1,186,594	**5.4%**
Mahone Bay	$682,808	$713,684	**4.5%**
Shelburne Dist.	$2,803,803	$2,929,710	**4.5%**
Inverness Co.	$5,789,134	$5,876,072	**1.5%**
Victoria Co.	$4,300,870	$4,362,763	**1.4%**
Richmond Co.	$2,515,180	$2,549,905	**1.4%**
Region of Queen’s	$6,654,979	$6,742,280	**1.3%**
Bridgetown	$562,919	$570,185	**1.3%**

Consumer Price Index

- The Consumer Price Index provides a percentage reflecting how much the price Canadians pay for consumer goods has changed for a given period.
- The index is determined by calculating on a monthly basis the cost of a fixed “basket” of goods, including shelter, food, entertainment, fuel and transportation.
- Between 2001 and 2005 the Consumer Price Index for Nova Scotia has ranged from a high of 3.4% in 2003, to lows of 1.8% in 2001 and 2004.
- Beginning in 2008 the threshold for CAP will be the level of CPI for the previous year.



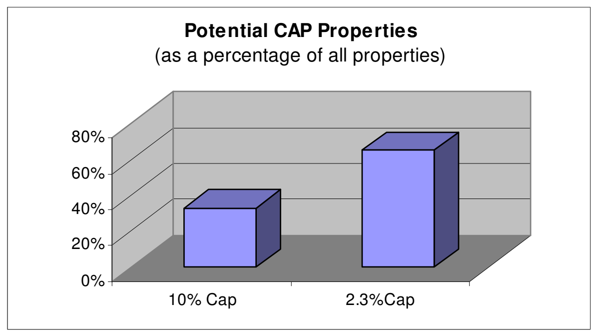
Consumer Price Index scenarios

Limiting conditions of data snapshot used for CPI Projections

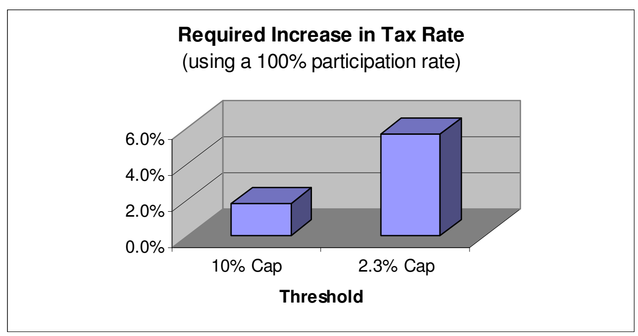
- In order to understand the impact that moving the CAP threshold to CPI will have on properties and municipalities, we have used a data file provided by Service Nova Scotia & Municipal Relations. The file uses a snapshot of data that was taken in December 2006. **Data taken at a different point in time would produce different results, but we would expect the underlying trends to remain consistent.**
- It is also important to note that these snapshots are not reflective of any actual year, and that assumptions have been made in our analysis, including **CPI rate**, **property tax rates**, **participation rates** and required **revenue streams**. The data on the following pages should be considered an illustration, with recognition of the limitations noted above.
- The CPI rate used in the scenario calculation is 2.3%. This is the average CPI for the first 11 months of 2006.

Impact of tying CAP to CPI

- Tying CAP to the Consumer Price Index will have several impacts:
  - While it is impossible to predict the extent to which the number of CAP recipients will grow:
    - With a 2.3% cap, a data sample indicates the number of 'eligible accounts' could increase across the province from **120,000** to **306,000**. Two thirds of all residential and resource properties in Nova Scotia could be eligible for the CAP Program.
  - There will be a greater incentive for property owners to apply for the Program:
    - Assessments will now be capped at a lower level, so the potential savings will be greater for properties that would have received only marginal savings under a 10% cap.
  - Municipalities would need to further adjust property tax rates to offset lower assessment values:
    - Property tax rates would need to increase to compensate for the lower assessment base. Higher tax rates would serve as an incentive for property owners to seek relief through the CAP Program.
    - As more capped properties receive relief, there will be fewer uncapped properties to absorb the shift.
    - Using a CPI model that assumed 100% participation, we project that tax rates are on average 5.7% higher after CAP is applied



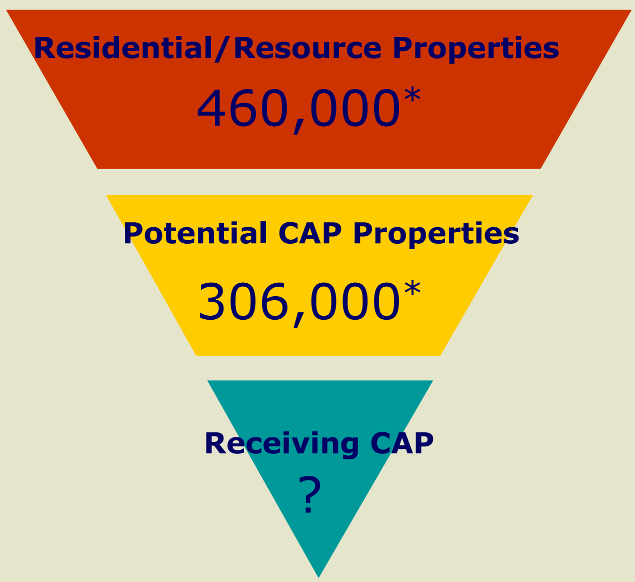
Arithmetic Average



Arithmetic Average

Impact of tying CAP to CPI (cont'd)

2.3% Threshold



*Approximate values

Impact of tying CAP to CPI on property tax rates

- In order to offset the diminished assessment base with CAP at CPI tax rates would be on average **5.7%** higher than they would be without CAP**,** with a high of **21.2%**.
- As discussed earlier, the impact on tax rates depends on the size of the CAP Assessment, and the number of CAP properties as a percentage of all properties.

Top 5 most affected municipal units

Municipality	Projected Tax Rate without CAP	Projected Rate with 2.3% CAP*	Change ($)	Change (%)
Chester	0.584	0.707	0.124	**21.2%**
Lunenburg Dist.	0.764	0.895	0.131	**17.1%**
Shelburne Dist.	1.187	1.356	0.169	**14.3%**
Lunenburg Town	1.141	1.610	0.196	**13.9%**
Mahone Bay	1.253	1.386	0.133	**10.6%**

Impact of tying CAP to CPI on property tax bills

Measuring the impact between no CAP and CAP at 2.3%

Largest average SAVINGS for capped properties

Municipality	Percentage of Properties Capped	Avg Decrease for CAP Properties	Avg Increase for Uncapped Properties
Shelburne Dist.	35%	**$141.96**	$76.14
Lockeport	25%	**$83.62**	$27.87
Lunenburg Dist.	65%	**$59.89**	$112.65
Chester	70%	**$57.01**	$135.65
Lunenburg Town	84%	**$56.27**	$304.07
Wolfville	61%	**$53.46**	$83.53
Yarmouth Town	75%	**$45.33**	$137.16
Digby Town	69%	**$42.56**	$214.39
Berwick	64%	**$39.50**	$94.20
Canso	2%	**$38.93**	$0.88

Largest average INCREASE for uncapped properties

Municipality	Percentage of Properties Capped	Avg Decrease for CAP Properties	Avg Increase for Uncapped Properties
Lunenburg Town	84%	$56.27	**$304.07**
Mahone Bay	85%	$35.74	**$200.26**
Yarmouth Town	75%	$45.33	**$137.16**
Chester	70%	$57.01	**$135.60**
HRM	77%	$35.75	**$121.95**
Truro	77%	$34.33	**$117.08**
Lunenburg Dist.	65%	$59.89	**$112.65**
Windsor	77%	$31.03	**$106.85**
Annapolis Royal	79%	$27.90	**$104.28**
Amherst	83%	$20.46	**$99.12**

Impact of removing application requirement

- An alternative that has been discussed is providing CAP relief to all properties that meet the eligibility criteria, thus eliminating the application requirement. We have analyzed potential consequences of this change:
  - With a 10% threshold for the 2007 assessment period there were an estimated **120,000** properties that were eligible for CAP, of which less than **33,000** will receive assistance;
  - If there was no application process in 2007, the number of properties receiving assistance would have grown by 265%
  - With a threshold of **2.3%** it is estimated that in excess of **306,000** properties would be eligible for assistance in 2007. In HRM it is estimated that approximately **75%** of residential and resource properties would be eligible for CAP.
  - Assuming that municipalities require the same level of tax revenue, increases to property tax rates will be required.

Impact of removing application requirement (cont'd)

2.3% Threshold

*Approximate values

Impact of CAP on mandatory contributions

- Municipalities remit mandatory contributions to the Province for services such as Education, Corrections and Assessment Services.
- Remittances can represent 20-30% of the property tax revenue municipalities collect.
- These remittances are tied to Uniform Assessments which measure the municipality's ability to pay.

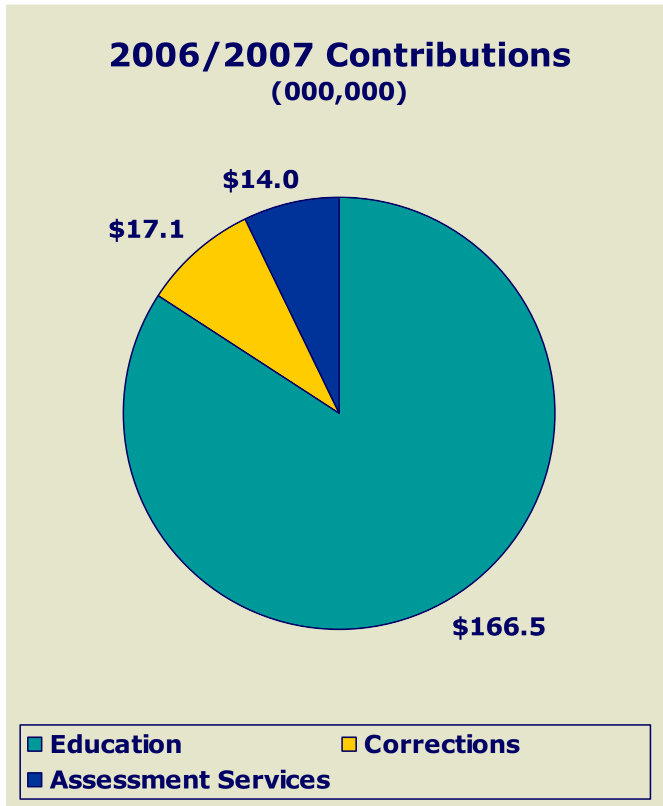
Taxable Assessment

\+ Grants & Loans

= Uniform Assessment

Impact of CAP on mandatory contributions (cont'd)

- Mandatory contribution rates are influenced by CAP in much the same manner as property tax rates:
  - CAP results in lower taxable assessment values.
  - Lower assessment values result in a lower Uniform Assessment for a municipality.
  - The Mandatory Contribution rate is calculated based on Uniform Assessment. If assessments are smaller, rates must be higher in order to maintain the revenue stream.
- As the mandatory contribution rates increase municipalities that were least affected by CAP will shoulder a larger share of the burden.



Conclusions

- The concept of CAP
  - CAP provides relief to property owners who are experiencing rapid increases in property taxes by capping their assessments.
  - Capping assessments leads municipalities to set higher property tax rates to maintain tax revenue.
  - With a higher tax rate, uncapped properties pay more tax than they would otherwise, and account for an larger percentage of overall property tax revenue.
- Moving CAP to CPI
  - The number of properties eligible to receive assistance will grow from 120,000 to 306,000; the majority of all properties will be eligible for CAP.
  - Tax rates will rise further to compensate for flattening assessment values as more properties apply for CAP.
  - Uncapped properties will pay more tax and shoulder additional burden.
- Removing the application requirement
  - Impacts of removing the application requirement will be the same as lowering the CAP threshold to CPI; more properties will be eligible for relief, tax rates will be higher, more tax burden will be shifted to uncapped properties.

Conclusions (cont'd)

- Uniform Assessments and mandatory contributions
  - Property assessments are a key element in calculating Uniform Assessments for a municipality.
  - CAP results in lower Uniform Assessments.
  - To compensate for lower Uniform Assessments, contribution rates need to be higher to maintain the required revenue for education, corrections and assessments.
  - Unless property tax rates increase, municipalities must set aside a higher percentage of property tax revenue for mandatory contributions.
  - With higher contribution rates, municipalities with the least decrease in their Uniform Assessment will shoulder a higher percentage of the provincial contribution than they would otherwise.

Appendices

Appendix A – Explanation of calculations

Value	Calculation
Relevance	(Market Assessment – CAP Assessment) / Market Assessment
Expected Tax Rate without CAP	(CAP Assessment x Tax Rate) / Market Assessment
Average Increase in Tax for Uncapped Properties	((Market Assessment – CAP Assessment) x Tax Rate) / Residential & Resource Properties
Avg Decrease in Tax for CAP Properties	((Market Assessment – CAP Assessment) x Tax Rate) / CAP Properties – ((Market Assessment – CAP Assessment) x Tax Rate) / Residential & Resource Properties)
Taxes Paid by Uncapped Properties without CAP Program	(Tax Revenue / Residential and Resource Properties) X Uncapped Properties
Taxes Paid by Uncapped Properties without CAP Program	Taxes Paid by Uncapped Properties without CAP Program + (Uncapped Properties x Average Increase in Tax for Uncapped Properties)
Expected Tax Rate with CAP at CPI	(CAP Assessment x Projected Tax Rate without CAP*) / CAP Assessment *As calculated above
Percentage of Properties in CAP at CPI	(CAP Properties / Total Properties)
Average Increase in Tax for Uncapped Properties at CPI	((Market Assessment – CAP Assessment) x Projected Tax Rate) / Total Properties
Avg Decrease in Tax for CAP Properties at CPI	((Market Assessment – CAP Assessment) x Projected Tax Rate) / CAP Properties – ((Market Assessment – CAP Assessment) x Projected Tax Rate) / Total Properties)

Appendix B – Halifax Regional Municipality

Electoral District	Tax Rate	Relevance	Market Assessment Value	CAP Assessment Value	Assessment Difference	Tax Difference	Increase for Uncapped	Decrease for Capped
District 1 - Eastern Shore - Musquodoboit Vall	1.18	6%	$ 632,012,500	$ 622,749,200	$ 9,263,300	$108,936	$ 7.33	$119.64
District 2 - Waverley - Fall River - Beaver Bank	1.18	1%	$1,200,001,600	$ 1,198,636,500	$ 1,365,100	$ 16,054	$ 1.82	$168.97
District 3 - Preston - Lawrencetown - Chezzet	1.18	8%	$1,031,040,000	$ 1,019,565,900	$11,474,100	$134,935	$ 12.07	$141.61
District 4 - Cole Harbour	1.18	10%	$1,025,955,200	$ 1,021,414,000	$ 4,541,200	$ 53,405	$ 7.72	$ 71.40
District 5 - Dartmouth Centre	1.28	20%	$ 937,198,200	$ 918,373,300	$18,824,900	$241,523	$ 42.96	$174.82
District 6 - East Dartmouth - The Lakes	1.28	12%	$ 958,560,800	$ 950,445,100	$ 8,115,700	$104,124	$ 17.24	$122.53
District 6 - East Dartmouth - The Lakes	1.18	6%	$ 24,691,300	$ 24,629,600	$ 61,700	$ 726	$ 4.19	$ 68.37
District 7 - Portland - East Woodlawn	1.28	10%	$ 639,225,800	$ 636,744,900	$ 2,480,900	$ 31,830	$ 7.75	$ 68.77
District 7 - Portland - East Woodlawn	1.18	17%	$ 391,435,300	$ 388,827,300	$ 2,608,000	$ 30,670	$ 13.23	$ 66.44
District 8 - Woodside - Eastern Passage	1.28	11%	$ 219,280,100	$ 218,467,000	$ 813,100	$ 10,432	$ 5.43	$ 45.45
District 8 - Woodside - Eastern Passage	1.18	17%	$ 494,204,600	$ 488,047,000	$ 6,157,600	$ 72,413	$ 16.63	$ 80.05
District 9 - Albro Lake - Harbourview	1.28	7%	$ 506,321,700	$ 504,985,200	$ 1,336,500	$ 17,147	$ 3.37	$ 44.94
District 10 - Clayton Park West	1.28	8%	$ 817,438,300	$ 815,315,700	$ 2,122,600	$ 27,233	$ 9.67	$108.22
District 11 - Halifax North End	1.28	19%	$ 792,105,300	$ 784,868,300	$ 7,237,000	$ 92,851	$ 19.53	$ 81.39
District 12 - Halifax Downtown	1.28	9%	$ 972,704,600	$ 963,412,000	$ 9,292,600	$119,224	$ 23.18	$236.57
District 13 - Northwest Arm - South End	1.28	13%	$1,744,196,400	$ 1,726,688,000	$17,508,400	$224,633	$ 49.40	$335.90
District 14 - Connaught - Quinpool	1.28	31%	$1,019,490,100	$ 1,008,317,700	$11,172,400	$143,342	$ 30.86	$ 67.39
District 15 - Fairview - Clayton Park	1.28	18%	$ 664,578,600	$ 660,467,700	$ 4,110,900	$ 52,743	$ 14.20	$ 65.95
District 16 - Rockingham - Wentworth	1.28	12%	$1,025,772,700	$ 1,019,572,000	$ 6,200,700	$ 79,555	$ 17.59	$125.76
District 17 - Purcell's Cove - Armdale	1.28	26%	$1,060,449,800	$ 1,038,600,700	$21,849,100	$280,324	$ 57.80	$167.90
District 18 - Spryfield - Herring Cove	1.18	3%	$ 373,724,000	$ 371,953,200	$ 1,770,800	$ 20,825	$ 5.76	$200.42
District 18 - Spryfield - Herring Cove	1.28	8%	$ 333,548,000	$ 332,347,700	$ 1,200,300	$ 15,400	$ 5.06	$ 55.33
District 19 - Middle & Upper Sackville - Lucasv	1.18	1%	$ 852,919,700	$ 852,710,000	$ 209,700	$ 2,466	$ 0.35	$ 26.17
District 20 - Lower Sackville	1.18	3%	$ 669,633,100	$ 669,275,400	$ 357,700	$ 4,207	$ 0.73	$ 27.31
District 21 - Bedford	1.18	6%	$1,345,241,600	$ 1,340,269,600	$ 4,972,000	$ 58,769	$ 8.24	$125.93
District 22 - Timberlea - Prospect	1.18	5%	$1,164,808,100	$ 1,158,088,400	$ 6,719,700	$ 79,024	$ 7.85	$148.63
District 23 - Hammonds Plains - St. Margarets	1.18	1%	$1,574,240,300	$ 1,571,622,500	$ 2,617,800	$ 30,785	$ 2.88	$190.73

Notes:

1. **This breakdown was conducted using a separate file. Numbers will vary from rolled up numbers which were derived from the provincial file.**
2. **The 'Increase' and 'Decrease' columns are hypothetical and do not reflect that each district belongs to a a larger entity.**

Appendix C – Relevance

Municipality	Assessed Value of Residential Taxable & Resource Taxable	Difference between Market & CAP	Relevance
Amherst	$275,967,000	$420,000	0.2%
Annapolis Co.	$724,033,600	$3,182,200	0.4%
Annapolis Royal	$26,386,300	$323,100	1.2%
Antigonish Co.	$621,753,100	$3,175,100	0.5%
Antigonish Town	$228,962,300	$385,200	0.2%
Argyle	$339,805,400	$404,800	0.1%
Barrington	$281,899,100	$888,700	0.3%
Berwick	$85,172,200	$64,700	0.1%
Bridgetown	$32,846,200	$418,600	1.3%
Bridgewater	$320,683,100	$272,200	0.1%
Canso	$13,966,500	$100	0.0%
CBRM	$2,588,637,247	$2,488,400	0.1%
Chester	$1,065,215,300	$78,365,000	7.4%
Clare	$376,385,300	$758,100	0.2%
Clark's Harbour	$25,570,300	$0	0.0%
Cumberland Co.	$747,644,200	$7,189,900	1.0%
Digby Dist.	$260,347,900	$1,097,800	0.4%
Digby Town	$67,474,900	$236,900	0.4%
Guysborough Dist.	$172,830,500	$850,100	0.5%
Hants, East	$948,650,200	$4,959,700	0.5%
Hants, West	$574,372,800	$868,500	0.2%
Hantsport	$43,919,400	$1,200	0.0%
HRM	$22,471,584,600	$164,383,800	0.7%
Inverness Co.	$617,632,600	$9,138,000	1.5%
Kentville	$258,270,000	$148,100	0.1%
Kings Co.	$2,075,652,200	$4,244,200	0.2%
Lockeport	$17,291,500	$24,800	0.1%
Lunenburg Dist.	$1,785,798,500	$100,392,200	5.6%

Municipality	Assessed Value of Residential Taxable & Resource Taxable	Difference between Market & CAP	Relevance
Lunenburg Town	$159,120,600	$8,138,900	5.1%
Mahone Bay	$75,641,200	$3,272,400	4.3%
Middleton	$60,826,700	$19,800	0.0%
Mulgrave	$22,438,700	$48,100	0.2%
New Glasgow	$1,382,259,600	$5,664,600	0.4%
New Glasgow	$313,644,400	$835,900	0.3%
Oxford	$37,947,700	$6,400	0.0%
Parrsboro	$40,066,500	$11,400	0.0%
Pictou Co.	$813,162,600	$2,096,700	0.3%
Pictou Town	$110,755,500	$180,400	0.2%
Port Hawkesbury	$112,466,000	$69,600	0.1%
Region of Queen's	$539,769,100	$6,983,400	1.3%
Richmond Co.	$402,695,300	$5,484,000	1.4%
Shelburne dist.	$252,434,400	$10,848,600	4.3%
Shelburne Town	$54,393,600	$36,500	0.1%
Springhill	$85,841,000	$25,400	0.0%
St. Mary's	$102,870,700	$510,500	0.5%
Stellarton	$140,745,300	$613,100	0.4%
Stewiacke	$44,965,100	$45,300	0.1%
Trenton	$61,998,100	$26,700	0.0%
Truro	$434,422,200	$1,151,500	0.3%
Victoria Co.	$398,357,700	$5,651,400	1.4%
Westville	$90,840,300	$32,300	0.0%
Windsor	$125,395,500	$94,100	0.1%
Wolfville	$257,083,800	$291,600	0.1%
Yarmouth Dist.	$480,130,600	$2,801,500	0.6%
Yarmouth Town	$239,594,900	$1,636,400	0.7%

Appendix D – Tax rates

Municipality	2006 Tax Rate	Project Rate w/o CAP	Difference	Difference
Amherst	$1.690	$1.687	$0.003	0.2%
Annapolis Co.	$0.950	$0.946	$0.004	0.4%
Annapolis Royal	$1.650	$1.630	$0.020	1.2%
Antigonish Co.	$0.860	$0.856	$0.004	0.5%
Antigonish Town	$0.870	$0.869	$0.001	0.2%
Argyle	$1.090	$1.089	$0.001	0.1%
Barrington	$1.080	$1.077	$0.003	0.3%
Berwick	$1.675	$1.674	$0.001	0.1%
Bridgetown	$1.910	$1.886	$0.024	1.3%
Bridgewater	$1.601	$1.600	$0.001	0.1%
Canso	$2.220	$2.220	$0.000	0.0%
CBRM - Cape Breton Co.	$1.987	$1.984	$0.003	0.2%
CBRM - Dominion	$1.987	$1.986	$0.001	0.0%
CBRM - Glace Bay	$2.014	$2.013	$0.001	0.0%
CBRM - Louisbourg	$1.937	$1.936	$0.001	0.0%
CBRM - New Waterford	$2.001	$2.001	$0.000	0.0%
CBRM - North Sydney	$2.026	$2.026	$0.000	0.0%
CBRM - Sydney	$2.185	$2.184	$0.001	0.0%
CBRM - Sydney Mines	$1.911	$1.911	$0.000	0.0%
Chester	$0.630	$0.584	$0.046	7.9%
Clare	$0.920	$0.918	$0.002	0.2%
Clark's Harbour	$1.650	$1.650	$0.000	0.0%
Cumberland Co.	$0.960	$0.951	$0.009	1.0%
Digby Dist.	$1.350	$1.344	$0.006	0.4%
Digby Town	$1.930	$1.923	$0.007	0.4%
Guysborough Dist.	$0.570	$0.567	$0.003	0.5%
Hants, East	$0.980	$0.975	$0.005	0.5%
Hants, West	$0.960	$0.959	$0.001	0.2%
Hantsport	$1.630	$1.630	$0.000	0.0%
HRM - Bedford	$1.182	$1.178	$0.004	0.4%
HRM - Dartmouth	$1.283	$1.271	$0.012	1.0%
HRM - Halifax City	$1.283	$1.271	$0.012	1.0%
HRM - Halifax Co.	$1.176	$1.170	$0.006	0.5%

Municipality	2006 Tax Rate	Project Rate w/o CAP	Difference	Difference
Inverness Co.	$1.020	$1.005	$0.015	1.5%
Kentville	$1.184	$1.183	$0.001	0.1%
Kings Co.	$0.797	$0.795	$0.002	0.2%
Lockeport	$2.130	$2.127	$0.003	0.1%
Lunenburg Dist.	$0.810	$0.764	$0.046	6.0%
Lunenburg Town	$1.490	$1.414	$0.076	5.4%
Mahone Bay	$1.310	$1.253	$0.057	4.5%
Middleton	$1.970	$1.969	$0.001	0.0%
Mulgrave	$1.660	$1.656	$0.004	0.2%
New Glasgow	$0.770	$0.767	$0.003	0.4%
New Glasgow	$1.820	$1.815	$0.005	0.3%
Oxford	$1.560	$1.560	$0.000	0.0%
Parrsboro	$1.950	$1.949	$0.001	0.0%
Pictou Co.	$0.790	$0.788	$0.002	0.3%
Pictou Town	$1.800	$1.797	$0.003	0.2%
Port Hawkesbury	$1.800	$1.799	$0.001	0.1%
Region of Queen's	$1.385	$1.367	$0.018	1.3%
Richmond Co.	$0.690	$0.681	$0.009	1.4%
Shelburne dist.	$1.240	$1.187	$0.053	4.5%
Shelburne Town	$1.900	$1.899	$0.001	0.1%
Springhill	$2.080	$2.079	$0.001	0.0%
St. Mary's	$0.840	$0.836	$0.004	0.5%
Stellarton	$1.820	$1.812	$0.008	0.4%
Stewiacke	$1.725	$1.723	$0.002	0.1%
Trenton	$2.130	$2.129	$0.001	0.0%
Truro	$1.760	$1.755	$0.005	0.3%
Victoria Co.	$1.220	$1.203	$0.017	1.4%
Westville	$2.180	$2.179	$0.001	0.0%
Windsor	$2.030	$2.028	$0.002	0.1%
Wolfville	$1.560	$1.558	$0.002	0.1%
Yarmouth Dist.	$1.140	$1.133	$0.007	0.6%
Yarmouth Town	$1.860	$1.847	$0.013	0.7%

Appendix E – Impact on average tax bill

Municipality	Residential /Resource Properties	CAP Prop.	Initial Savings per CAP Property	Increase to All Properties	Net Benefit for CAP Prop.
Amherst	3,105	94	$ 75.51	$2.29	$73.22
Annapolis Co.	12,455	484	$62.46	$2.43	$60.03
Annapolis Royal	259	31	$171.97	$20.58	$151.39
Antigonish Co.	8,815	480	$56.89	$3.10	$53.79
Antigonish Town	1,423	51	$65.71	$2.36	$63.36
Argyle	7,942	126	$35.02	$0.56	$34.46
Barrington	5,364	115	$83.46	$1.79	$81.67
Berwick	826	15	$72.25	$1.31	$70.94
Bridgetown	395	36	$222.09	$20.24	$201.85
Bridgewater	2,499	74	$58.89	$1.74	$57.15
Canso	486	1	$2.22	$0.00	$2.22
CBRM	51,588	444	$112.01	$0.96	$111.04
Chester	9,617	2,007	$245.99	$51.34	$194.65
Clare	8,353	185	$37.70	$0.83	$ 36.87
Clark's Harbour	462	0	$ -	$ -	$ -
Cumberland Co.	15,543	806	$85.64	$4.44	$81.20
Digby Dist.	6,587	244	$60.74	$2.25	$58.49
Digby Town	784	41	$111.52	$5.83	$105.68
Guysborough Dist.	5,631	175	$27.69	$0.86	$26.83
Hants, East	10,999	556	$87.42	$4.42	$83.00
Hants, West	8,138	193	$43.20	$1.02	$42.18
Hantsport	488	1	$19.56	$0.04	$19.52
HRM	129,777	14,287	$143.74	$15.82	$127.91
Inverness Co.	14,405	969	$96.19	$6.47	$89.72
Kentville	2,098	42	$41.75	$0.84	$40.91
Kings Co.	21,580	891	$37.96	$1.57	$36.40
Lockeport	373	20	$26.41	$1.42	$25.00
Lunenburg Dist.	20,844	3,828	$212.43	$39.01	$173.42

Municipality	Residential /Resource Properties	CAP Prop.	Initial Savings per CAP Property	Increase to All Properties	Net Benefit for CAP Prop.
Lunenburg Town	1,035	517	$234.56	$117.17	$117.40
Mahone Bay	504	141	$304.03	$85.06	$218.98
Middleton	627	4	$97.52	$0.62	$96.89
Mulgrave	483	26	$30.71	$1.65	$29.06
New Glasgow	3,417	97	$156.84	$4.45	$152.39
New Glasgow	19,791	924	$47.21	$2.20	$45.00
Oxford	616	6	$16.64	$0.16	$16.48
Parrsboro	919	15	$14.82	$0.24	$14.58
Pictou Co.	14,875	500	$33.13	$1.11	$32.01
Pictou Town	1,536	22	$147.60	$2.11	$ 145.49
Port Hawkesbury	1,080	6	$208.80	$1.16	$207.64
Region of Queen's	11,332	1,112	$86.98	$8.54	$78.44
Richmond Co.	9,805	807	$46.89	$3.86	$43.03
Shelburne dist.	5,699	365	$368.56	$23.60	$344.95
Shelburne Town	944	2	$346.75	$0.73	$346.02
Springhill	1,844	7	$75.47	$0.29	$75.19
St. Mary's	3,457	125	$34.31	$1.24	$33.07
Stellarton	1,724	153	$72.93	$6.47	$66.46
Stewiacke	595	4	$195.36	$1.31	$194.04
Trenton	1,171	3	$189.57	$0.49	$189.08
Truro	3,615	208	$97.43	$5.61	$91.83
Victoria Co.	7,634	781	$88.28	$9.03	$79.25
Westville	1,630	12	$58.68	$0.43	$58.25
Windsor	1,016	32	$59.69	$1.88	$57.81
Wolfville	1,297	29	$156.86	$3.51	$153.35
Yarmouth Dist.	7,566	368	$86.79	$4.22	$82.56
Yarmouth Town	2,197	259	$117.52	$13.85	$103.66

Appendix F – Shift of burden

Municipal Unit	Residential /Resource Properties	Uncapped Properties	Revenue Generated from Residential/ Resource Properties	CAP Value Divided by All Properties	Tax Paid by Uncapped Property With CAP	Tax Paid by Uncapped Property Without CAP	Shift
Amherst	3,105	3,011	$4,656,744	$ 2.29	$4,522,650	$4,515,767	0.2%
Annapolis Co.	12,455	11,971	$6,848,088	$2.43	$6,611,028	$6,581,972	0.4%
Annapolis Royal	259	228	$430,043	$20.58	$383,264	$378,570	1.2%
Antigonish Co.	8,815	8,335	$5,319,771	$3.10	$5,055,914	$5,030,095	0.5%
Antigonish Town	1,423	1,372	$1,988,621	$2.36	$1,920,580	$1,917,349	0.2%
Argyle	7,942	7,816	$3,699,467	$0.56	$3,645,117	$3,640,774	0.1%
Barrington	5,364	5,249	$3,034,912	$1.79	$2,979,238	$2,969,846	0.3%
Berwick	826	811	$1,425,551	$1.31	$1,400,727	$1,399,663	0.1%
Bridgetown	395	359	$619,367	$20.24	$570,185	$562,919	1.3%
Bridgewater	2,499	2,425	$5,129,779	$1.74	$4,982,105	$4,977,876	0.1%
Canso	486	485	$310,054	$0.00	$309,418	$309,416	0.0%
CBRM - Cape Breton Co.	26,218	25,856	$26,604,142	$1.63	$26,279,068	$26,236,810	0.2%
CBRM - Dominion	947	936	$748,249	$0.37	$739,907	$739,557	0.0%
CBRM - Glace Bay	7,161	7,143	$6,079,682	$0.37	$6,067,016	$6,064,400	0.0%
CBRM - Louisbourg	608	606	$369,795	$0.25	$368,731	$368,578	0.0%
CBRM - New Waterford	2,926	2,925	$2,269,042	$0.01	$2,268,308	$2,268,266	0.0%
CBRM - North Sydney	2,295	2,293	$2,586,031	$0.04	$2,583,864	$2,583,777	0.0%
CBRM - Sydney	8,294	8,249	$11,253,405	$0.37	$11,195,377	$11,192,348	0.0%
CBRM - Sydney Mines	3,139	3,136	$2,533,069	$0.18	$2,531,224	$2,530,648	0.0%
Chester	9,617	7,610	$6,217,157	$51.34	$5,310,348	$4,919,680	7.9%
Clare	8,353	8,168	$3,455,770	$0.83	$3,386,053	$3,379,233	0.2%
Clark's Harbour	462	462	$421,910	$ -	$421,910	$421,910	0.0%
Cumberland Co.	15,543	14,737	$7,108,361	$4.44	$6,805,193	$6,739,749	1.0%
Digby Dist.	6,587	6,343	$3,499,876	$2.25	$3,384,503	$3,370,232	0.4%
Digby Town	784	743	$1,297,693	$5.83	$1,234,162	$1,229,829	0.4%
Guysborough Dist.	5,631	5,456	$980,288	$0.86	$954,518	$949,823	0.5%
Hants, East	10,999	10,443	$9,248,167	$4.42	$8,826,820	$8,780,672	0.5%
Hants, West	8,138	7,945	$5,505,641	$1.02	$5,383,210	$5,375,070	0.2%

Appendix F – Shift of burden (cont'd)

Municipal Unit	Residential /Resource Properties	Uncapped Properties	Revenue Generated from Residential/ Resource Properties	CAP Value Divided by All Properties	Tax Paid by Uncapped Property With CAP	Tax Paid by Uncapped Property Without CAP	Shift
Hantsport	488	487	$715,867	$0.04	$714,419	$714,400	0.0%
HRM – Bedford	6,116	5,678	$15,841,987	$9.61	$14,762,016	$14,707,456	0.4%
HRM – Dartmouth	17,948	15,118	$41,428,269	$22.57	$35,237,142	$34,895,953	1.0%
HRM - Halifax City	30,342	23,980	$107,125,237	$34.12	$85,481,833	$84,663,608	1.0%
HRM - Halifax Co.	75,371	70,714	$110,406,713	$7.36	$104,105,124	$103,584,937	0.5%
Inverness Co.	14,405	13,436	$6,206,645	$6.47	$5,876,072	$5,789,134	1.5%
Kentville	2,098	2,056	$3,056,163	$0.84	$2,996,700	$2,994,982	0.1%
Kings Co.	21,580	20,689	$16,509,122	$1.57	$15,859,919	$15,827,489	0.2%
Lockeport	373	353	$367,781	$1.42	$348,560	$348,061	0.1%
Lunenburg Dist.	20,844	17,016	$13,651,791	$39.01	$11,808,477	$11,144,640	6.0%
Lunenburg Town	1,035	518	$2,249,627	$117.17	$1,186,594	$1,125,900	5.4%
Mahone Bay	504	363	$948,031	$85.06	$713,684	$682,808	4.5%
Middleton	627	623	$1,197,896	$0.62	$1,190,641	$1,190,254	0.0%
Mulgrave	483	457	$371,684	$1.65	$352,432	$351,676	0.2%
New Glasgow	19,791	18,867	$10,599,782	$2.20	$10,146,481	$10,104,900	0.4%
New Glasgow	3,417	3,320	$5,693,115	$4.45	$5,546,283	$5,531,502	0.3%
Oxford	616	610	$591,884	$0.16	$586,218	$586,119	0.0%
Parrsboro	919	904	$781,074	$0.24	$768,544	$768,326	0.0%
Pictou Co.	14,875	14,375	$6,407,421	$1.11	$6,208,052	$6,192,045	0.3%
Pictou Town	1,536	1,514	$1,990,352	$2.11	$1,965,045	$1,961,844	0.2%
Port Hawkesbury	1,080	1,074	$2,023,135	$1.16	$2,013,141	$2,011,896	0.1%
Region of Queen's	11,332	10,220	$7,379,082	$8.54	$6,742,208	$6,654,979	1.3%
Richmond Co.	9,805	8,998	$2,740,758	$3.86	$2,549,905	$2,515,180	1.4%
Shelburne dist.	5,699	5,334	$2,995,664	$23.60	$2,929,710	$2,803,803	4.5%
Shelburne Town	944	942	$1,032,785	$0.73	$1,031,289	$1,030,597	0.1%
Springhill	1,844	1,837	$1,784,964	$0.29	$1,778,715	$1,778,189	0.0%
St. Mary's	3,457	3,332	$859,826	$1.24	$832,869	$828,736	0.5%

Appendix F – Shift of burden (cont'd)

Municipal Unit	Residential /Resource Properties	Uncapped Properties	Revenue Generated from Residential/ Resource Properties	CAP Value Divided by All Properties	Tax Paid by Uncapped Property With CAP	Tax Paid by Uncapped Property Without CAP	Shift
Stellarton	1,724	1,571	$2,550,406	$6.47	$2,334,233	$2,324,065	0.4%
Stewiacke	595	591	$774,867	$1.31	$770,434	$769,657	0.1%
Trenton	1,171	1,168	$1,319,991	$0.49	$1,317,176	$1,316,609	0.0%
Truro	3,615	3,407	$7,625,564	$5.61	$7,205,905	$7,186,804	0.3%
Victoria Co.	7,634	6,853	$4,791,017	$9.03	$4,362,763	$4,300,870	1.4%
Westville	1,630	1,618	$1,979,614	$0.43	$1,965,740	$1,965,041	0.0%
Windsor	1,016	984	$2,543,618	$1.88	$2,465,355	$2,463,504	0.1%
Wolfville	1,297	1,268	$4,005,958	$3.51	$3,920,835	$3,916,388	0.1%
Yarmouth Dist.	7,566	7,198	$ 5,441,552	$4.22	$5,207,266	$5,176,882	0.6%
Yarmouth Town	2,197	1,938	$4,426,028	$13.85	$3,931,101	$3,904,252	0.7%

Appendix G – CPI: Project Impact on Tax Rates

Projected without CAP, Actual, Projected with 2.3% CAP

(Refer to notes on data snapshot on slide 18 when interpreting data)

Municipal Unit	Projected Rate w/o CAP	2006 Tax Rate (Actual)	Projected Tate @ 2.3%
Amherst	$ 1.687	$ 1.690	$ 1.807
Annapolis Co.	$ 0.946	$ 0.950	$ 0.995
Annapolis Royal	$ 1.630	$ 1.650	$ 1.724
Antigonish Co.	$ 0.856	$ 0.860	$ 0.891
Antigonish Town	$ 0.869	$ 0.870	$ 0.916
Argyle	$ 1.089	$ 1.090	$ 1.129
Barrington	$ 1.077	$ 1.080	$ 1.119
Berwick	$ 1.674	$ 1.675	$ 1.742
Bridgetown	$ 1.886	$ 1.910	$ 1.965
Bridgewater	$ 1.600	$ 1.601	$ 1.646
Canso	$ 2.220	$ 2.220	$ 2.223
CBRM - Cape Breton Co	$ 1.984	$ 1.987	$ 2.042
CBRM - Dominion	$ 1.986	$ 1.987	$ 2.020
CBRM - Glace Bay	$ 2.013	$ 2.014	$ 2.044
CBRM - Louisbourg	$ 1.936	$ 1.937	$ 1.979
CBRM - New Waterford	$ 2.001	$ 2.001	$ 2.007
CBRM - North Sydney	$ 2.026	$ 2.026	$ 2.039
CBRM - Sydney	$ 2.184	$ 2.185	$ 2.231
CBRM - Sydney Mines	$ 1.911	$ 1.911	$ 1.921
Chester	$ 0.584	$ 0.630	$ 0.707
Clare	$ 0.918	$ 0.920	$ 0.967
Clark's Harbour	$ 1.650	$ 1.650	$ 1.660
Colchester Co.	$ 0.767	$ 0.770	$ 0.822
Cumberland Co.	$ 0.951	$ 0.960	$ 1.035
Digby Dist.	$ 1.344	$ 1.350	$ 1.435
Digby Town	$ 1.923	$ 1.930	$ 2.031
Guysborough	$ 0.567	$ 0.570	$ 0.584
Hants, East	$ 0.975	$ 0.980	$ 1.061
Hants, West	$ 0.959	$ 0.960	$ 1.007
Hantsport	$ 1.630	$ 1.630	$ 1.650
HRM - Bedford	$ 1.178	$ 1.182	$ 1.239
HRM - Dartmouth	$ 1.271	$ 1.283	$ 1.358

Municipal Unit	Projected Rate w/o CAP	2006 Tax Rate (Actual)	Projected Tate @ 2.3%
HRM - Halifax City	$ 1.271	$ 1.283	$ 1.350
HRM - Halifax County	$ 1.170	$ 1.176	$ 1.228
Inverness Co.	$ 1.005	$ 1.020	$ 1.073
Kentville	$ 1.183	$ 1.184	$ 1.228
Kings Co.	$ 0.795	$ 0.797	$ 0.825
Lockeport	$ 2.127	$ 2.130	$ 2.188
Lunenburg Dist.	$ 0.764	$ 0.810	$ 0.895
Lunenburg Town	$ 1.414	$ 1.490	$ 1.610
Mahone Bay	$ 1.253	$ 1.310	$ 1.386
Middleton	$ 1.969	$ 1.970	$ 1.995
Mulgrave	$ 1.656	$ 1.660	$ 1.696
New Glasgow	$ 1.815	$ 1.820	$ 1.916
Oxford	$ 1.560	$ 1.560	$ 1.647
Parrsboro	$ 1.949	$ 1.950	$ 2.063
Pictou Co.	$ 0.788	$ 0.790	$ 0.826
Pictou Town	$ 1.797	$ 1.800	$ 1.890
Port Hawkesbury	$ 1.799	$ 1.800	$ 1.828
Region of Queens	$ 1.367	$ 1.385	$ 1.458
Richmond Co.	$ 0.681	$ 0.690	$ 0.728
Shelburne Dist.	$ 1.187	$ 1.240	$ 1.356
Shelburne Town	$ 1.899	$ 1.900	$ 1.929
Springhill	$ 2.079	$ 2.080	$ 2.162
St.Marys	$ 0.836	$ 0.840	$ 0.865
Stellarton	$ 1.812	$ 1.820	$ 1.928
Stewiacke	$ 1.723	$ 1.725	$ 1.824
Trenton	$ 2.129	$ 2.130	$ 2.218
Truro	$ 1.755	$ 1.760	$ 1.857
Victoria Co.	$ 1.203	$ 1.220	$ 1.297
Westville	$ 2.179	$ 2.180	$ 2.278
Windsor	$ 2.028	$ 2.030	$ 2.111
Wolfville	$ 1.558	$ 1.560	$ 1.603
Yarmouth Dist.	$ 1.133	$ 1.140	$ 1.219
Yarmouth Town	$ 1.847	$ 1.860	$ 1.977

Appendix H – CPI: Impact on average tax bill

(Refer to notes on data snapshot on slide 18 when interpreting data)

Municipality	Percentage of Properties Capped	Initial Savings for CAP Properties	Required Increase for All Properties	Net Decrease for CAP Properties
Amherst	83%	$119.59	$99.12	$20.46
Annapolis Co.	67%	$45.70	$30.67	$15.03
Annapolis Royal	79%	$132.18	$104.28	$27.90
Antigonish Co.	60%	$41.15	$24.62	$16.54
Antigonish Town	86%	$86.43	$74.47	$11.95
Argyle	48%	$35.09	$16.98	$18.11
Barrington	39%	$57.46	$22.67	$34.79
Berwick	64%	$109.74	$70.24	$39.50
Bridgetown	72%	$92.88	$66.60	$26.28
Bridgewater	64%	$87.22	$55.53	$31.68
Canso	2%	$39.81	$0.88	$38.93
CBRM		$42.98	$22.59	$20.38
Chester	%	$192.61	$135.60	$57.01
Clare	48%	$46.48	$22.22	$24.27
Clark's Harbour	37%	$14.31	$5.30	$9.02
Colchester Co.	67%	$58.63	$39.35	$19.28
Cumberland Co.	68%	$64.39	$43.59	$20.80
Digby Dist.	70%	$54.44	$37.96	$16.48
Digby Town	69%	$136.76	$94.20	$42.56
Guysborough Dist.	22%	$24.42	$5.43	$18.99
Hants, East	78%	$97.57	$76.51	$21.06
Hants, West	62%	$57.42	$35.86	$21.56
Hantsport	77%	$23.74	$18.39	$5.35
HRM		$157.70	$121.95	$35.75
Inverness Co.	51%	$59.16	$30.18	$28.98
Kentville	79%	$72.37	$57.20	$15.17
Kings Co.	70%	$41.93	$29.52	$12.42
Lockeport	25%	$111.49	$27.87	$83.62

Municipality	Percentage of Properties Capped	Initial Savings for CAP Properties	Required Increase for All Properties	Net Decrease for CAP Properties
Lunenburg Dist.	65%	$172.55	$112.65	$59.89
Lunenburg Town	84%	$360.34	$304.07	$56.27
Mahone Bay	85%	$236.01	$200.26	$35.74
Middleton	56%	$43.95	$24.62	$19.32
Mulgrave	63%	$28.02	$17.60	$10.41
New Glasgow	78%	$121.32	$94.54	$26.78
Oxford	70%	$76.60	$53.64	$22.95
Parrsboro	68%	$73.55	$49.76	$23.79
Pictou Co.	56%	$40.53	$22.56	$17.97
Pictou Town	74%	$91.52	$67.49	$24.03
Port Hawkesbury	73%	$41.23	$30.30	$10.93
Region of Queen’s	64%	$68.44	$43.65	$24.79
Richmond Co.	52%	$39.20	$20.36	$18.84
Shelburne dist.	35%	$218.10	$76.14	$141.96
Shelburne Town	69%	$25.93	$17.80	$8.13
Springhill	64%	$60.88	$38.71	$22.17
St. Mary's	29%	$31.07	$9.16	$21.91
Stellarton	82%	$113.22	$92.87	$20.35
Stewiacke	85%	$89.22	$75.93	$13.29
Trenton	76%	$63.07	$47.78	$15.29
Truro	77%	$151.41	$117.08	$34.33
Victoria Co.	68%	$75.66	$51.52	$24.14
Westville	72%	$75.79	$54.61	$21.17
Windsor	77%	$137.88	$106.85	$31.03
Wolfville	61%	$137.00	$83.53	$53.46
Yarmouth Dist.	73%	$75.43	$55.01	$20.41
Yarmouth Town	75%	$182.49	$137.16	$45.33

Deloitte.

ASSESSMENT SERVICES TRANSITIONAL BOARD

PO Box 216
Halifax, Nova Scotia B3J 2M4
Email: SNS_ASMT_MB

March 9, 2007

Honourable Jamie Muir
Minister
Service Nova Scotia and Municipal Relations
1505 Barrington St.
PO Box 216
Halifax, NS B3J 2S7

Dear Minister Muir:

Thank you for meeting with Assessment Services staff and me on March 5th. The Assessment Services Transitional Board felt it was of critical importance to meet with you to express thanks for your continued efforts and support to establish the Property Valuation Services Corporation and secondly to emphasize the depth of our concern regarding the impact of the CAP legislation on Assessment operations and on the Corporation.

As I noted in our meeting, the Transitional Board fundamentally believes that the CAP program is not an appropriate mechanism to address perceived inequities in municipal taxation. It is counter to section 42 of the *Assessment Act*, which requires all property be assessed at its market value to ensure that taxation falls in a uniform manner. It impacts property assessment rather than tax policy. No other Canadian jurisdiction has chosen this route. We believe that there are mechanisms currently available in the *Municipal Government Act* that can offer relief through the taxation policy rather than skewing the market value assessment. This is an avenue that we feel should be explored further as an alternative to the CAP program.

Looking down the road if CAP continues, one can only see a continually widening gap between actual market value of properties compared to the CAP value to which the municipal tax rate is applied. This path of divergence is greatly accelerated when CAP uses CPI values. Without a clear exit strategy this could lead to significant correction issues in the future. A parallel example in this province is the development of a substantial unfunded liability in workers' compensation during the 1970's and 1980's when employer assessment rates were kept artificially low compared to rising claim costs. That system has had to endure significant adjustments of higher rates for employers and decreased benefits to workers to correct this situation. It would pale in comparison, however, to the turmoil that would occur across the province to correct the misalignment of property values created by the CAP program.

.../2

Both the Deloitte study and the analysis done by SNSMR staff have shown that the CAP program is regressive as it shifts the burden from higher valued properties to those of lower value and from municipalities with more of its UA roll falling under CAP to those municipalities with a lower percentage covered by CAP. While these effects are present to some degree with the 10% threshold, they become acute under CPI as this impacts such a significant portion of residential properties.

I point out that in order for us to meet the obligations of the CAP legislation as it now stands with the CPI provision, our staff need to start the associated processes by April 1st given the expected surge in applications. Already to date we have seen a significant increase in applications over the previous year. We have grave reservations as to the impact the additional CAP work will have on our overall operating capacity but in particular on our concentration on the transition from SNSMR to the Corporation over the coming year, the development of our strategic direction as an independent corporation and fully maturing the operations of the new iasWorld software for use by all staff for all our business processes.

Furthermore, the legislation stipulates the use of the December CPI, which does not become available till mid-January at the earliest. This is too late for us to meet our deadlines to file the Assessment Roll and is not possible from an operational perspective.

Thus there is a great urgency to address these problems immediately and directly. On behalf of the Board, I attach our submission and recommendations for your consideration the as part of the CAP review process. We certainly appreciate your willingness to consider the input from the Board on this important matter. We welcome the chance to work with you to find alternatives that will meet the needs of all stakeholders.

If there is anything further we can provide you in support of the review process please let us know.

Sincerely,

Lloyd P. Hines
Chair
Assessment Services Transitional Board

cc: Board of Directors
Kathy Gillis, Acting CEO & Executive Director

Assessment Services Transitional Board
Submission to Minister Muir
March 9, 2007

CAP Program Response

The Assessment Services Transitional Board respectfully makes the following submission to the Honourable Jamie Muir, Minister of Service Nova Scotia and Municipal Relations for consideration in the review of the Capped Assessment Program (CAP). The submission represents the Board's opinion, as it relates to the Property Valuation Services Corporation, of the CAP on Assessment as policy, CAP as a program, specific implementation issues and it also includes several recommendations.

Lloyd P. Hines, Chair
Assessment Services Transitional Board Chair

CAP as Policy

Regressivity

The Board agrees with findings of both the report by SNS&MR staff of feedback from municipalities and the Deloitte Report on CAP for the UNSM. Both reports state that the CAP program is regressive at 10% and will be far more regressive at CPI. This regressivity is measurable in three ways:

1. The lower valued property owner will subsidize the higher valued property owner
2. The poorer municipalities will subsidize the wealthier municipalities
3. In most cases, less well off municipalities will be paying more for provincial program costs, education, corrections and assessments

CAP Does Not Address Real Problem – Increasing Property Tax

The CAP legislation does not address the key problem, increases in property taxes directly. It attempts to deal with increases in market value assessments and this is does not address the real problem.

There is no means test tied to the CAP program. Reviewing the data on the current property owners in the program it appears that a larger percentage of eligible properties are at the high end ($300,000 plus property values) than at the lower end (less than $150,000 property values) are receiving the cap. In fact, just over 5% of properties under $150,000 receive a CAP while over 15% of properties over $300,000 receive a CAP.

A CAP type program is not in place in any other jurisdiction in Canada. Rather, many of those provinces have instituted relief through property tax programs.

The Longer the CAP Program - The More Difficult To Correct

Long Term Effects

If CAP @ CPI is allowed to proceed it sets a very difficult position to back away from. The longer it is in place the more difficult it is to reverse because the move back to market value would create a large public outcry that would be fueled by the media. This was the case in Toronto when they tried to move to market value.

There is no exit strategy to allow the return to market value.

The longer it is in effect the more disparity is created between those with the CAP and those not eligible, who include immigrants and young people returning to Nova Scotia. New owners will be discriminated against as well as those who have lower property values.

CAP @ CPI as a Program

CPI legislation will have a major impact on the operations and budget of the PVSC.

Administrative Cost Impact

Our early estimates indicate that the financial cost of administering this program is in the $700,000 range. This would be roughly about $ 350,000 for sending notifications to property owners and $ 350,000 to respond to enquiries, process applications and run an advertising campaign.

The Board says that the costs to administer and advertise the CAP @ CPI program should be borne by the Province and not the PVSC as this legislation was done without consultation and no advanced warning of its impact.

There would be an impact on the staff dealing with additional inquiries, inspections and research.

The cost of this program, in dollars and staff effort, would take away from services that our stakeholders, the 55 municipalities, have suggested are important to them. Services like the PAIP program, completing building permit inspections and getting appeals resolved as early as possible.

Implementation Problems

The legislation will require amendments to resolve a problem with the actual date of the NS CPI to be used. The NS CPI percentage, for the date indicated in the legislation, will not be available until mid January of 2008. The processing of applications will need to begin in April of 2007 and the actual application processing will have to be completed by December of 2007.

Currently Assessment Services do not maintain information on non-resident ownership. This was the responsibility of Natural Resources but we do not believe that they have been maintaining this. This means that without an application process there is no way to accurately tell who the non-residents are.

Recommendations

- First choice - Remove the CAP entirely

    - Both the draft SNS&MR staff report of feedback from municipalities and the Deloitte report support this.
    - Use mechanisms within the MGA for relief from increasing property taxes; perhaps this could be addressed through discussions with the municipalities.
    - The Board can assist in targeting property owners with the messaging around the communications strategy associated with this recommendation.
    - The impact of this decision on "property owners at risk of not being able to pay their taxes" versus "wealthy property owners receiving a benefit at a cost to the less wealthy property owner" should help to convince the opposition parties to give a measure of support.

- Second choice - Maintain the Cap at 10% and develop a back out policy over the next couple of years.

    - Allows time to discuss "increasing property tax" issue with municipalities and formulate a joint solution.
    - Program can be implemented with minimal impact on operations.
    - Can allow for CAP to be phased out and a return to the internationally recognized and fair "market value" system.
    - Allows time to establish a communications strategy to educate the public on the benefits of a tax-based solution.

Summary notes from CFIB's 2004 Report titled "Property Tax Inequities in Nova Scotia"

- Property tax poses many problems for small business owners:
    - Firstly, it is a 'regressive' tax because, unlike sales or income tax, property taxes do not rise and fall as income and consumption rise and fall.
    - Secondly, the amount one pays in property tax bears little relationship to the amount of goods or services one uses.

- Commercial property taxation stifles growth and job creation. In fact, in Nova Scotia, small business owners indicate that local commercial property tax is the most harmful tax they face in the operation of their business.

- Despite the lack of a relationship between income or consumption, all Nova Scotia municipalities tax businesses at a higher rate than residents for owning or occupying commercial property. This results in businesses paying more than they do as residents to enjoy the very same services. In some municipalities, businesses actually receive fewer services, despite paying more for them.

- There's been no shortage of accusations of unfair assessment in the residential sector. Yet little debate has been held around assessment issues for the commercial sector. Fortunately for the residential sector, the sheer number of residential properties means assessment problems are reduced simply due to the number of real estate transactions that occur and which provide guidance to assessors. This is not the case for the commercial sector.

- Compounding this is the fact that assessing commercial property is more difficult because of the relative uniqueness of each business, particularly in the case of manufacturing and wholesale businesses. Furthermore, in the quest for 'fair' valuation, assessors may value property for its 'theoretical' use, rather than on its practical one.

- While market value is believed to be the fairest way to value property, it is still a highly subjective measure. Past sales and purchases of neighbouring properties provide some guidance around what fair market value for a property might be, but are not exact indicators. The degree to which assessed values are *imprecise* has a direct impact on owners' tax obligations. Many properties are *over* assessed, while many other properties are *under* assessed.

- The subjectivity around assessment is compounded by political interference, such as applying a cap to how much assessments can rise.

- Regardless of the level at which the cap applies, **such interference serves only to distort the fairest measure of property that exists**, compounding the problems already embedded in property assessment.

- Since commercial property is not eligible for assessment capping, the commercial sector is likely to bear the burden of tax shifting from those who are able to take advantage of it, putting it at an even greater disadvantage than existing previously.

Nova Scotia Chambers of Commerce
605 Prince Street, Truro, NS B2N 1G2 (902) 895-6329 www.nschamber.ca

Brief from NS Chambers of Commerce
Response to Changes in Assessment Act – Consultations - February, 2007

General Overview

The Nova Scotia Chambers of Commerce sees property taxation as an outdated form of collecting revenue. We favour a complete overhaul of our tax system, which would replace property taxes and other types of taxation.

Existing CAP

Since 2004-05, the Cap Assessment Program (CAP) has been designed to protect Nova Scotia property owners from undue increases in market value by limiting or "capping" annual taxable assessment increases on eligible properties. The CAP is not automatic. But it appears that most people using it are **not** low income earners, who are the very people it was designed to protect. Property owners need to apply for the CAP and the property in question must meet the following 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
- have not transferred, or if 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 transferred to family trusts or farm cooperatives and remain eligible.

The cap percentage is the assessed increase in value your property must have sustained in order to be considered for eligibility. The CAP has been set at 10% each year since 2004.

Extended CAP legislation (being reviewed)

The CAP legislation extends the existing CAP but also calls for one major change. Until now, the CAP percentage had been limited to the amounts above (10 per cent since 2004). The **changes** being prescribed peg the homeowners' cap to the provincial Consumer Price Index (CPI) on December 1st in the immediately preceding municipal taxation year. This would reduce the tax money being brought in through residential taxes by up to 7 per cent for each residential property re-assessed under the program.

NS Chambers' Review of Proposed Changes to CAP

In 2004 when the assessment cap was first introduced, several Chambers and Boards of Trade worried that it would unfairly burden commercial property owners. That continues today. The proposed changes limiting residential increases to the CPI only serve to widen the distance between residential and commercial rate payers. Our position is that commercial tax rates should at least be held where they are, and not increased, as would undoubtedly be the case under this proposal.

Precise Recommendations

The bottom line from the NSCoC is that Changes to the Assessment Act should keep the CAP limit at 10 per cent per year for a select group of residential property owners. By that, we mean the CAP should be granted **only to retirees** based on income tax receipts. We would respectfully suggest that retirees earning more than $40,000 per year should **not be entitled** to the CAP's protection. We are also adamant that the CAP should **not be available** to Nova Scotians of working age unless they can prove dire financial hardship. Our members across the province tell us that high taxation is one of the biggest impediments to operating a business in Nova Scotia. Creating a more selective group of CAP users would go a long way toward avoiding sudden spikes in commercial property taxes. If we don't want to drive business away from this province, we request that you consider our position.

Looking to the Future

The NS Chambers of Commerce represents almost 7-thousand business owners and their employees across the province. We take that role seriously, and would like to embark on a dialogue for completely eradicating the outdated and archaic property tax system in this province. It's a system that penalizes businesses and home owners for property improvements and business growth. Is that what Nova Scotia should be about? Instead of following other provinces and states, meaningful tax reform is an issue where we should strive to be leaders.

Alan Johnson
Executive Director
Nova Scotia Chambers of Commerce

Gary Cusack
President
Nova Scotia Chambers of Commerce

Chamber Response
Changes to Assessment Act
Consultations – February 2007

Existing CAP

The Cap Assessment Program (CAP) is a program designed to protect Nova Scotia property owners from dramatic increases in market value by limiting or "capping" annual taxable assessment increases in eligible properties. Property owners must apply for the CAP and the property in questions 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 transferred, or if 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 transferred to family trusts or farm cooperatives and remain eligible.

The cap percentage is the amount your property must have increased in order to be considered for eligibility. The base year was 2001. The cap for subsequent years was 15% in 2002, 15% in 2003, and 10% each year from 2004-2007. The CAP was introduced in 2004/2005.

New CAP legislation

The CAP legislation extends the existing CAP and makes one significant change to it. The CAP percentage was prescribed as the percentage increase as of December 1st in the immediately preceding municipal taxation year in the CPI for Nova Scotia.

Chamber Position on Original CAP

In 2004 when the assessment cap was first introduced the Chamber expressed its concerns – citing potential increased reliance on the business community for tax revenues and payment discrepancies between neighbours and communities. Furthermore, it is not clear that the current assessment cap is meeting some of the desired objectives. Based on information from the Halifax Regional Municipality only 3% of applicants are low-income homeowners and more than half of those on the cap have below average taxes.

Review of CAP and New Proposed Changes

The Chamber continues to have reservations about the CAP and its effects. These reservations are compounded by the coupling of the prescribed percentage to CPI.

We are concerned that linking the prescribed percentage of the CAP has the potential to further increase reliance on the commercial sector for taxes. Our members consistently cite business climate issues, especially taxes, among the top priorities the Chamber should be working on. In Halifax the commercial sector already pays between 2.72 and 4.78 times the rate of taxes compared to the residential sector and in many cases receives fewer services. By limiting the increase of residential assessments while commercial assessments continue to rise with the market, we are concerned that even in the municipality leaves commercial tax rates stable, the relative tax burden on the commercial sector will rise further. In fact, this change in taxable assessments that compels an increase in the tax rate to collect the same revenue, makes anything but a shift to the commercial sector, politically very difficult.

We are also concerned about the potential distortionary effect on the market and on individuals' tax bills. That new homebuyers may see dramatically higher tax bills than their older counterparts, we would anticipate having a dampening effect on the market. In addition the economic health of our province in the years to come will be closely tied to our ability to attract and retain young people - policies that discourage new homebuyers will surely impede our ability to do this.

Finally, limiting the assessment base, particularly in an environment where most municipalities rely on market-based assessment, will almost surely result in higher tax rates – and while this does not necessarily mean paying higher taxes, it is a perception we can do without. To keep our economy vibrant, to attract new residents (and employees) and businesses, we have to not only be competitive, but to appear so as well.

Consultation

We have concerns about the way in which this legislation was brought forward – we are pleased to see more adequate consultation and impact assessment now being undertaken.

We were pleased to learn that municipalities are being consulted on the CAP and the new proposed changes. We urge you to consult widely, particularly with those in sectors that will be affected by this change.

We thank you for the opportunity to consult on this issue.

Next Steps

The Chamber strongly urges MLAs to reconsider the cap extension and particularly the new prescribed percentage. We support initiatives to undertake substantial tax reform in Nova Scotia.

Changes to Assessment Act
Consultations with Service Nova Scotia
8 February 2007

For more information please contact:

Nancy Conrad
Senior Vice President, Policy
Tel.: 481-1231
E-mail: nancy@halifaxchamber.com

Maggie MacDonald
Policy Analyst
Tel.: 481-1228
E-mail:
Margaret@halifaxchamber.com

Halifax Chamber of Commerce
656 Windmill Road, Suite 200
Dartmouth, NS B3B 1B9
Tel.: 468-7111
Fax: 468-7333
www.halifaxchamber.com

Municipality of the District of Lunenburg

February 16, 2007.

Ms. Lynn Bowen Avery,
Service Nova Scotia and Municipal Relations,
P. O. Box 216,
Halifax, N. S. B3J 2M4

VIA E-mail: bowenal@gov.ns.ca

Dear Ms. Bowen Avery:

RE: CAPPED ASSESSMENT REVIEW PROGRAM

The Council of the Municipality of the District of Lunenburg, in session on February 13, 2007, received a Staff Report which summarized the results of a Discussion Session on the Capped Assessment Program Review held in Bridgewater on February 7, 2007.

It is the Municipality's understanding that the comments that were made at this Discussion Session will be compiled and presented to the House in a report that is required to be filed by April 1, 2007. Municipal Council passed a motion that a letter be written to add their voice of concern and agreement with the comments that were made at the Discussion Session held in Bridgewater on February 7, 2007. The comments that were reviewed by Council can be summarized as follows:

1. Concern over the absence of a means test, resulting in a program that benefits more than just those property owners that cannot afford to pay taxes as a result of escalating assessments.

2. Shift in tax burden to other residential properties that are not capped as well as commercial properties (in particular, small businesses). This is of particular concern with the CAP rate being set at a rate equivalent to the Nova Scotia CPI, thus more properties qualifying for the CAP.

3. Seasonal properties that are owned by Nova Scotia Property Owners benefit from the CAP. The CAP should only be applied to a principle residence.

...... 2

4. Impact on other municipal units that do not have a high percentage of the taxable properties that fall under the CAP program, as Uniform Assessments are calculated based upon the Capped Assessment values. Mandatory contributions by municipal units to education, corrections and assessment are based upon Uniform Assessment.

5. A concern was expressed that using the Nova Scotia CPI rate as the CAP rate would increase public expectations that municipal spending should not increase above CPI annually. This is of particular concern as the mandatory contribution for provincial services is not capped at CPI and in many instances has increased beyond this amount.

Municipal Council wishes to emphasize the importance of the need for a means test to qualify for capped assessment and that the capped assessments should apply only to principle residences.

Yours truly,

Tammy Wilson, MURP, MCIP,
Chief Administrative Officer.

TW/hw

cc. Warden Wentzell and Municipal Councillors
Gordon Pettipas, Director of Financial Services/Mun. Treas.

Municipality of the County of Richmond

CHIEF ADMINISTRATIVE OFFICER
P.O. BOX 120, ARICHAT, NOVA SCOTIA B0E 1A0
TEL: (902) 226-3970 • FAX: (902) 226-1510 • E-MAIL: ladigout@richmondcounty.ca

BY FAX (424-0581)

February 13, 2007

Hon. Jamie Muir
Minister of Service Nova Scotia & Municipal Relations
P.O. Box 216
Halifax, Nova Scotia
B3J 2M4

Dear Minister Muir:

The issue of the new CAP system for assessments was reviewed by Richmond Municipal Council. The following resolution was unanimously adopted at the Council Meeting held on February 12, 2007:

> "Moved by Deputy Warden McNamara, seconded by Councillor Rankin that Council accept the recommendation of the Committee of the Whole and that representation be made to the Province in opposition of the new CAP system, because establishing the CAP at CPI will result in the majority of residential/resource properties in the province being eligible, and the remainder of the properties being forced to pay for the concession created by CAP; and further moved that Council suggest to the Province that authority be given to municipal governments to deal with property assessments that exceed a reasonable amount (i.e. 10%), and that the authority include formal residency requirements and an income test. Motion carried."

Your consideration of our request is appreciated.

Sincerely yours,

Karen Doyle

Karen Doyle
COUNCIL RECORDER

c.c. Mr. Ken Simpson, Executive Director, U.N.S.M.
Ms. Lynn Bowen Avery, Senior Policy Analyst

Submission from the Municipality of the District of Chester

In response to your survey on the CAP Assessment Program, our comments to your questions are as follows:

Q1 What is your understanding of the purpose of the CAP Program?

A1 The purpose of the program is to protect property owners from dramatic increases in market value by capping the annual taxable assessment increases. However, the target group that the program was designed for (low incomes) expanded to include those owners with multiple properties who can well afford any increases.

Q2 What feedback, if any, have you received from property owners about the program?

A2 Comments that we received were far ranging - from poor communication to discriminatory application. Taxpayers who were not eligible for various reasons (mainly those whose increase was under the percentage) felt that they were subsidizing those with high-end seasonal/recreational properties with "capped" assessments.

Q3 What has been your municipal unit's experience with the CAP Program?

A3 For the first year of the program 31% of the reduction in assessments ($67 million) as a result of "capping" was for the benefit of 20 property owners. One property owner accounted for 3.7%. The $67 million reduction in assessment equals $158,000 in tax revenue or .02¢ on the residential tax rate.

Q4 What suggestions, if any, would you have for the future of this program?

A4 The program should be eliminated or at least apply only to the principal residence of the owner who resides in the affected municipality.

Q5 Do you have any suggestions for an alternative program?

A5 Alternative program - broaden Section 69 of the Municipal Government Act and employ a "means test" to those property owners who experience dramatic increases in market value assessments.

Q6 Do you have any further comments to make?

A6 This program should be dealt with before assessments become so distorted that they are meaningless.

Q7 Do you have any questions you would like to have answered?

A7 With the Assessment Management Board responsible for Assessment Policy and the Government of Nova Scotia responsible for Tax Policy where does this leave the Union of Nova Scotia Municipalities to provide input?

Region of Queens Municipality

Notes on Provincial CAP Discussions
Bridgewater February 7, 2007

The general consensus is that the legislation must be designed to protect the most vulnerable in society and focus on low income residential property owners. Applicants must be required to provide total disclosure of *all* household income. Most municipalities represented support the Provincial Government setting the ceiling for application. The maximum income level should be set by regulation, adjusted annually and no later than February in order that municipalities are better able to budget effectively.

An alternate option is for the Legislature to require every municipal unit to provide a tax relief programme for residents, to set the maximum household income level and then leave the extent of relief to the determination of the individual units. The CAP would continue to be based on CPI.

The introduction of means test will require annual application for the CAP, a complete departure from the current requirement that states that there is no need to apply each year, after having applied the first time. The inclusion of a means test would have to require the submission of proof of income, annually. (i.e. statement of income tax assessment) allowing for changing circumstances. It seems likely that this may well result in limiting the number of applications.

Without a means test there is definitely concern that those with higher income levels and consequently higher property values are more likely to be eligible for capping, as their values are more likely to meet the increase percentage criteria. Those who find themselves unable to perform substantial maintenance or improvements to their homes will find their values not increasing by higher percentages, therefore not qualifying for capping. Those able to afford more affluent homes benefit from lower assessment value increases, while those with modest valued homes have to pay higher tax rates, to make up for the shortfall in lost assessment revenues. The low to modest income residents are not protected, while the higher income earners see a benefit.

The CAP legislation adjusts Uniform Assessment proportionately. Consequently rural municipalities and small towns that are less impacted by rising assessment values will pay a much larger proportion of the mandatory contributions for services (education, corrections, etc.). Smaller and less affluent municipalities that are able to offer fewer services to residents will consequently pay a greater proportional contribution toward provincial services. Conversely, municipalities that have substantial waterfront assessment and which may well have the choice of offering more services will be less hard hit simply because they will have many more residents who qualify for capping, lowering their uniform assessment.

Only a principle residence should be eligible for Capping. Nova Scotians owning more than one residence should have to decide which is their principal residence. Frequently recreational properties in rural areas tend to be the driving force behind the increases in market values.

Apartment complexes are not eligible for Capping. Consequently tenants will almost assuredly be subject to increases in rent charges to cover the increase in taxes accruing to the rental property owner. By contrast in the absence of a means test, condominium owners have access to Capping. Having met all other criteria, they will be afforded a ceiling on assessment values, effectively reducing the amount of taxes paid. Thus residing in the more valuable condo affords greater likelihood of a tax break, while living in the less valuable rental apartment provides a greater likelihood that monthly expenses will be increasing. It is probable that apartment dwellers ten to be less affluent than condominium owners.

It is not feasible to demand that the CAP legislation be withdrawn. There was however, strong consensus that there be amendments made with regards to criteria reflecting the above observations and concerns. The program as it currently stands does not meet the needs of municipal units nor does it provide protection for modest to low-income earners. There needs to be some serious consideration by the political parties of Nova Scotia, to the suggestions given during these feedback sessions.

The percentage drop to CPI for 2008 will see an even larger number of eligible properties, further straining the municipal tax rates. Add to this the forgone conclusion that increases in education and corrections charges to municipalities will not be limited to CPI and the situation for municipalities becomes virtually untenable. Of course, provincial politicians may make the argument that municipalities can cut back on costs. This is a significant challenge as so many municipal costs are driven not by internal, but rather by external legislated requirements such as education, corrections, subsidized housing, water treatment, sewage treatment, land filling, recycling, composting, policing services, assessment services, DOT services and more. In fact, these external drivers often account for over 40% of a municipality's budget.

Submitted by John Leefe DCL Mayor
Region of Queens Municipality

LUNENBURG
A World Heritage Site

OFFICE OF THE MAYOR

TOWN OFFICE
119 Cumberland Street
P.O. BOX 129
Lunenburg, Nova Scotia
Canada B0J 2C0
mayor.tol@ns.sympatico.ca
www.explorelunenburg.ca

TELEPHONE
902 634-4410

FACSIMILE
902 634-4416

February 23, 2007

MINISTER'S OFFICE
M1033
MAR - 5 2007
SERVICE NOVA SCOTIA
and MUNICIPAL RELATIONS

MAR 2007
RECEIVED
OFFICE OF THE DEPUTY MINISTER
SERVICE NOVA SCOTIA
AND MUNICIPAL RELATIONS

Minister Jamie Muir
Service Nova Scotia and
Municipal Relations
14th Floor, Maritime Centre
1505 Barrington Street
Halifax, NS B3J 2M4

- and -

Mr. Greg Keefe, CMA
Deputy Minister
Service Nova Scotia and
Municipal Relations
14th Floor, Maritime Centre
1505 Barrington Street
Halifax, NS B3J 2M4

Dear Gentlemen:

Re: "Capped Assessment Program Review Municipal Discussion Sessions"

Thank you for the opportunity to attend the recent regional discussion session regarding the Capped Assessment Program Review.

The Lunenburg Town Council supports the Province's efforts to redress current assessment inequities. As you know, the Town of Lunenburg has seen rapid growth in property assessment values creating economic uncertainties and hardships for many residents. This is particularly so for long-term residential property owners. The "cap" has served to moderate this effect. The Province's most recent amendment to further reduce maximum residential property value increases to the Consumer Price Index effective 2008/09 is viewed positively. The Lunenburg Town Council suggests three additional provisions to this:

- The CPI cap should apply to principle residences only and not seasonal homes.
- A "means test" should be devised in consultation with municipalities to ensure fair and equitable application of the cap.

- Assessment Services should be adequately staffed. There has been an unacceptable reduction in staffing levels. This has negatively affected their ability to produce timely and accurate assessment information.

We ask that you consider these items and advise us of your response.

Please accept our appreciation for dealing with this issue of importance to all Nova Scotians.

Best regards,

D. Laurence Mawhinney

D. Laurence Mawhinney
Mayor

BR/kj

cc: Minister Baker, QC, MLA
Darrell Dexter, MLA
Michel Samson, MLA
Cathy Gillis, Assessment Services
Russell Walker and Ken Simpson, UNSM
Lloyd P. Hines, Assessment Services Board

C:\Documents and Settings\KELLY\My Documents\MYFILES.2007\07.MAYOR\mulr.j.feb.19.07.wpd