



4 January 2007

His Worship Peter Kelly & Regional Councillors
Halifax Regional Municipality
P.O. Box 1749
Halifax, NS B3J 3A5

Re.: Tax Reform: Tax Competitiveness

Dear Mayor Kelly & Councillors,

As you know, the Chamber is keenly interested in both the economic health of our city and the fiscal health of our municipal government. In particular, it has frequently provided input into matters relating to levels and types of taxation. Some recent examples of include letter re. tax competitiveness (15 May 2006), letter re. tax reform (10 October 2006), and letter to Service Nova Scotia & Municipal Relations re. the assessment act. Copies of all are attached for your easy reference.

Reform of the municipal taxation system in Halifax, specifically with respect to the taxation of the business community, is of paramount importance to the Halifax Chamber of Commerce. The formation of Halifax's Tax Reform Committee is a progressive step. It is now imperative that the concerns of the commercial sector are addressed as this process unfolds, particularly with respect to the Halifax's tax competitiveness.

The implications of maintaining a competitive tax structure for the commercial sector are far-reaching. Businesses operating in a competitive tax structure are better able to weather inevitable cyclical downswings in the economy, create jobs, invest in new technologies and develop and expand capital.

A tax climate that places a disproportionate burden on the commercial sector is not sound economic strategy. The current 2006/2007 tax regime sees commercial property owners in Halifax paying municipal taxes at between 2.72 and 4.78 times the residential rate, with the majority of commercial owners paying three and a half times the residential rate, with no discernable difference in the level of service provided. This spread is amongst the highest in the country.

Further, June 2006 comparative figures for the Atlantic region indicate that property taxes for the commercial sector in Halifax are substantially higher than in other Atlantic Canadian cities. As an example, taxes per square foot for the average warehouse property in Halifax are highest in the region and are from 32% to 111% more than in Moncton, St. John's,



Fredericton, Saint John and Charlottetown. In the office sub-market, these competing cities show average taxes per foot at 22-50% less than Halifax.

The situation will be exacerbated in future taxation years as commercial assessments continue to follow increasing trends and the commercial tax rate continues to climb. Based on preliminary 2007 assessment information published by Service Nova Scotia, assessments on industrial property, hotels, offices and general commercial property are slated to increase by 5-10% for next year. The combined effect of this and the 2.6% increase in the commercial tax rate from 2005-2006 to 2006-2007 sees virtually every commercial property owner in Halifax paying more in taxes. This in spite of the phase-out of business occupancy tax.

Halifax's commercial tax structure is a vital key to the competitiveness of its business environment. The Tax Reform process presents a great opportunity to address the concerns of the commercial sector to ensure continued economic growth and success.

As you, as Mayor and Councillors, work your way through the Tax Reform process, we urge you to keep these important points in mind.

The Chamber's work with you in this regard flows directly from the approved Economic Strategy, which calls for us all to "ensure that a competitive tax and regulatory regime supports HRM's growth drivers".

If you have any questions or concerns, please do not hesitate to contact me.

Sincerely,

Valerie A. Payn
President

Encl.