

Chamber Response Changes to Assessment Act Consultations – 8 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.

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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.

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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.

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