



7 March 2007

Mayor Peter Kelly and Regional Councillors  
P.O. Box 1749  
Halifax, NS B3J 3A5

Re.: TAX REFORM – COMMERCIAL TAX BURDEN

Dear Mayor Kelly and Councillors,

The municipal government is embarking on a very important initiative with its consideration of tax reform. The Chamber is following this process with great interest as an equitable tax structure is a critical aspect of creating a business climate that fosters growth and economic development. In keeping with this interest we have been voicing our concerns in a series of letters – early in the year we wrote on the importance of competitive taxes, especially compared to other Atlantic Canadian cities, in this letter we address the question of the relative burden of taxes on the commercial sector and you may look forward to a third letter on favourable commercial tax strategies.

Growth in population and tax base is necessary to support the services we need to make Halifax a desirable location for all residents.

Our municipal affairs committee has been tracking the various studies on tax competitiveness undertaken by HRM staff and independent sources such as KPMG and other municipalities. A clear picture emerges. Halifax has lower residential taxes than the Canada average and higher commercial taxes. Specific data on the extent to which Halifax's commercial taxes are higher than the regional average was provided to you in previous correspondence. As an example, the average occupier of office space in Halifax pays 22-50% more than their counterparts in St. John's, Fredericton, Moncton, Saint John and Charlottetown. With respect to residential taxes, we refer to the study conducted by the city of Edmonton, an excerpt of which is attached.

If the commercial sector paid taxes at the residential rate the tax bill would be \$80 million lower or, on average, \$7000 per business. As you are aware, commercial taxpayers pay a multiple of 2.7 times the residential rate before business occupancy. The multiple jumps to over 3.5 times when business occupancy tax at 30% (the rate paid by the majority of commercial taxpayers for 2007) is included. At the same time, commercial property owners receive a lower level of service, most notably they are responsible for their own waste collection.

There is no rationale for the higher tax burden on the commercial sector. This sector is the employment creator for our city. Making that sector less competitive takes jobs out of Halifax. This causes the negative spin-off effect of decreased population and a resultant decrease in residential tax revenues. A competitive commercial sector creates the jobs that attract residents – residents who pay their fair share of taxes. We need a competitive commercial sector to maximize job creation and population growth.

Furthermore, Halifax businesses do not simply compete locally for business. Today, viable and vibrant businesses must compete globally – often with businesses operating in lower cost environments – Halifax firms need every advantage to ensure success.

A city's tax structure also has a critical promotional impact. Businesses have an impression of a community based on factors such as tax rates. If a community wants to look business friendly, it needs to send a tangible signal with a competitive tax rate. A high tax rate simply sends the opposite signal. Halifax needs to show tangible signs that it is a business friendly city.

Still other problems can arise when commercial tax rates become uncompetitive; businesses seek special tax deals, businesses go underground.

A competitive tax rate is a key outcome targeted by our economic strategy. We appeal to you, the leaders of our city, to keep these important considerations in mind as the tax reform process advances.

Please do not hesitate to contact me if it would be helpful to discuss this further.

Sincerely,

A handwritten signature in black ink that reads "Valerie A. Payn". The signature is written in a cursive, flowing style.

Valerie A. Payn  
President

Encl.