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Item No. 4
Halifax Regional Council
November 23, 2021

TO: Mayor Savage and Members of Halifax Regional Council

SUBMITTED BY: Original Signed by 
Jacques Dubé, Chief Administrative Officer

DATE: October 26, 2021

SUBJECT: Tax Relief for Non-Profit Organizations 2021: Pro-Rated Awards

SUPPLEMENTARY INFORMATION REPORT

ORIGIN

October 5, 2021 – Moved by Councillor Hendsbee, seconded by Councillor Mancini

THAT Halifax Regional Council request a supplementary staff report on tax forgiveness on the amounts outstanding for the following non-profit organizations:

- Fall River Minor Football Association
- Grand Lake Oakfield Community Society
- Home of the Guardian Angel
- Kinap Athletic Club
- MacDonald House Association
- Orenda Canoe Club
- Sheet Harbour and Area Chamber of Commerce
- Sheet Harbour Rockets
- Three Village Recreation Association

MOTION PUT AND PASSED UNANIMOUSLY

LEGISLATIVE AUTHORITY

Halifax Regional Municipality Charter, S.N.S. 2008, c.39

79A (1) Subject to subsections (2) to (4), the Municipality may only expend money for municipal purposes if

- (a) The expenditure is included in the Municipality's operating budget or capital budget or is otherwise authorized by the Municipality...

Administrative Order 2014-001-ADM, Respecting Tax Relief for Non-Profit Organizations

First Late Renewal Application

7C (1) If an application for the renewal of tax relief is late a late application and the application for the previous year was on time, the amount of tax relief for each property that was filed late shall be reduced in accordance with subsection 2 of this section.

(2) If the subsection 1 applies, the amount of tax relief for each property that was filed late shall be reduced as follows:

- (a) if the application is received on or before June 30th, there shall be no reduction; or
- (b) if the application is received after June 30th and on or before September 28th, there shall be a reduction of 1/365 for every calendar day such application is later after June 30th, to a maximum of two thousand five hundred dollars (\$2,500) per property; or
- (c) if the application is received after September 30th, there shall be a reduction 1/365 for every calendar day such application is late after June 30th to a maximum of five thousand dollars (\$5,000) per property.

(3) If June 30th or September 28th falls on a Saturday or Sunday, the deadline shall be extended until the next business day.

Subsequent Late Renewal Application

7D (1) If an application for the renewal of tax relief is the second consecutive late application, the amount of tax relief for each property that was filed late shall be reduced in accordance with the following:

- (a) if the application is received on or before September 28th, tax relief shall be reduced by 1/365 for every calendar day such application is late; or
- (b) if the application is received after September 28th, then
 - (i) tax relief shall be revoked for the fiscal year for each property for which the application is late, and
 - (ii) the applicant shall be ineligible for tax relief for the fiscal year for each property for which the application is late, and
 - (iii) if the applicant is listed on any Schedule, the applicant is struck off such Schedule in respect of each late property.

17A The CAO shall at least once per fiscal year, prepare a report and recommendation for Council's consideration which

- (a) recommends eligible non-profit organizations and eligible registered Canadian charitable organizations to be:
 - (i) added or removed from the Schedules to this Administrative Order, or
 - (j) to be moved from one Schedule of this Administrative Ordre to a different Schedule of this Administrative Order;
- (b) lists the eligible non-profit organizations and eligible registered Canadian charitable organizations whose tax relief will be reduced or pro-rated under this Administrative Order; and
- (c) confirm the number of renewal applications that have complied with this Administrative Order.

BACKGROUND

At the October 5, 2021 Regional Council meeting the tax relief program's Schedules were amended whereby properties were added or removed, or the level of tax relief changed. Council was also notified of late renewal applications subject to a pro-rated reduction in the value of tax grant. Regional Council requested a staff report with respect to the application of Section 7C of Administrative Order 2014-001-ADM in this fiscal year. The following background information is provided for members of Regional Council and the public that may be unfamiliar with the program's policy.

Tax Relief Renewal: In practice, tax relief is multi-year unless there is justification to decrease the level of award or remove a property from the program¹. The continued eligibility of organizations accepted into the program is confirmed annually by completing a short Confirmation Form ("renewal form") which is mailed with the tax bill. Because amendments to the Administrative Order must be approved by Regional Council and the timing of a decision may vary, program participants receive only one 'final' tax bill, usually in October/November. Legislation requires that municipalities identify the dollar value of any tax exemption on the tax bill. Consequently, any reduction in the dollar value of tax relief must either be (i) calculated and identified on the tax bill, or (ii) if reporting remains outstanding after the annual billing date, the pro-rated penalty is calculated, and a separate account statement must be issued showing the amount payable after the penalty has been applied. A copy of the Confirmation Form is included as Attachment 1 of this report.

Incentivizing Reporting Compliance: Due to the Municipality's multi-year funding commitment it is important that participants comply with the annual reporting requirement to confirm eligibility and to monitor any substantive change in use, including tenancy or sub-leasing as applicable. With the introduction of Administrative Order 2014-001-ADM non-compliance was addressed to prevent abruptly revoking eligibility using incremental pro-rated deductions. To reduce the disproportionate impact on high market value properties, the policy was subsequently refined by applying a maximum deduction threshold in the first year of default. See: Attachment 2 of this report.

Reporting of Late Renewals to Regional Council: The program's Administrative Order directs staff to identify organizations that have not complied with the program's reporting requirements to Regional Council along with the number of organizations that have complied. Neither task can be completed prior to June 30 due to a 3-month "grace period" during which those in default are identified and notified by mail. Likewise, staff are unable to provide the individual or combined dollar value of pro-rated deductions because they are pro-rated daily over 9 months (July 1 to March 31). Hence, the 'cost' to an organization is self-determined based on the timing of their late submission.

Notification by Registered Mail: Prior to 2021, reminder letters were sent to those organizations who had not filed a renewal form by March 31 and a second 'final' reminder sent by registered mail. At their meeting of October 5, 2021, Council agreed to discontinue reminder letters and instead a single notification will be issued by registered mail. Although this an added administrative cost to the Municipality (\$9.75 per letter at 2021 rates) registration provides proof that notification was received, confirmation as to the person in receipt and the date delivered. Other features of this service include:

- Canada Post will forward mail to a new address if in receipt of address change notification from the intended recipient/former occupant;
- registered mail can be delivered to a PO Box or a community mail box; and
- the delivery standard is 2 to 3 days for local/regional delivery.

The post office located closest to the recipient's mailing address holds the registered letter for 15 days

¹ Reasons to reduce or revoke tax relief include but are not limited to conveyance of a property or lease expiry, a change in tenancy or property use, the non-profit or charitable organization's registration is not in good standing, or the organization ceases operations. Hence, pro-rating is not used only for late submissions but may apply to changes that occur during a fiscal year.

before returning to the sender with the reason for return (unclaimed, no such address, moved, or refused). Therefore, the frequency with which an organization checks for mail and/or their own internal distribution and delegation of responsibility can impact their risk of incurring a pro-rated reduction in tax grant. Arguably, this same administrative task would apply to the timely payment of fixed operating costs and any contractual obligations.

DISCUSSION

As of April 1, 2021, a total of 54 organizations, representing approximately 22.5% of the 241 organizations² accepted into the program to date, had not submitted a renewal form by the deadline and reminder letters were issued. Although this is a labour-intensive task most recipients responded by June 30 which increased compliance to approximately 98%. As of July 1, 2021, nine (9) organizations remained in default: six (6) registered letters were returned by Canada Post as “unclaimed” and three (3) were received and signed for by a representative of the recipient organization.

The staff review of the nine (9) applications in default included:

- Canada Post verification of receipt of registered mail;
- confirmation of an organization’s mailing address as listed with the Registry of Joint Stocks Companies, Industry Canada or Charities Directorate;
- the most recent contact information on file provided by the organization; and
- HRM’s tax billing address.

Main findings:

- Given a 98% return rate, there appears to be no direct correlation between reporting default and organizations that are entirely volunteer. Factors that are more likely to impact on-time reporting include a change in personnel (both staff and/or volunteer) and overall organizational oversight. Organizational capabilities or priorities can also impact program eligibility in terms of non-profit or charitable status, including updated contact information.
- In 2020, the renewal deadline was extended to May 15, 2020 in response to an abrupt disruption to operations created by the pandemic and pro-rated deductions for late renewal were temporary suspended³. While this accommodation was appropriate, removal of the reporting incentive may have inadvertently contributed to an increase in this year’s default rate (from 44 to 54) and resulted in out-dated contact information for some organizations. However, resumption of pro-rating in 2021 will not trigger removal from the program for consecutive default (section 7D) due to the temporary suspension of section 7C last year.

In three (3) cases, the mailing address for the advance notice and final notice by registered mail was incorrect. An error of omission on HRM’s part will not result in pro-rating for the Kinap Athletic Club, Sheet Harbour Rockets Association, or the Three Village Recreation Association. However, these organizations have been asked to update their contact information with HRM to conform with the tax billing address, and

² A count of 241 excludes organizations not previously included in the program; these groups would not have been considered “renewals” but will receive a Confirmation Form in 2021 and are expected to report for next year’s program (fiscal 2022).

³ Report to Regional Council meeting of September 22, 2022 “Tax Relief for Non-Profit Organizations: Fiscal Year 2020-2021. Part 1 – Proposed Amendments to Schedules”, dated July 31, 2020.

to update their registration status/information, as applicable. A temporary suspension of policy is not required – this is a corrective administrative action.

The application of policy for the remaining six (6) organizations upholds consistency and reduces the risk of inadvertently providing a dis-incentive to those organizations who have fulfilled their obligations under the program's policy despite similar circumstances. A payment plan option is also available to taxpayers through the Revenue Division of HRM Finance & Asset Management: this process can help cash flow through bi-weekly or monthly installments or upon billing due date.

On an on-going basis, all participants in the tax relief program have access throughout the year to 311 or the designated email address to request a change in tax billing address (proptax@halifax.ca). Other inquiries or updates can be directed to the program's designated email address (nonproftax@halifax.ca) and additional program information, including forms, is provided online at: <https://www.halifax.ca/business/doing-business-halifax/tax-relief-non-profit-organizations>

FINANCIAL IMPLICATIONS

The dollar values cited in this report are estimates to allow for any correction/change to a property's assessed value or a pro-rated deduction.

2021/2022 Program Budget M311-8006	\$5,396,000
Less Recommended Renewals (790 properties) ¹	(\$4,972,132)
Less Recommended Additions (12 properties)	(\$231,108) ²
Less Recommended Awards by Council Resolution (5 properties)	(\$19,185)
Projected Balance	\$173,575

Notes to Financial Implications:

1. Renewal of tax relief for 792 properties in the program includes two (2) that will be pro-rated in 2021 and removed in fiscal 2022 due to discontinuation of a lease and a property sold in 2021.
2. The cost of additions and projected program budget balance have been amended with the addition of tax values for the St. Mary's Lawn Bowls Club and the Wanderer's Lawn Bowling Club. HRM has received the assessment from PVSC for both leases and in 2021 the estimated cost for St. Mary's Lawn Bowls Club is \$22,200 and \$82,668 for the Wanderer's Lawn Bowling Club.

COMMUNITY ENGAGEMENT

The 2021-22 tax relief program opened in September 2020 and was advertised in the Municipal Notices section of the Chronicle-Herald newspaper in September and November 2020. The program is also publicized online at: www.halifax.ca/business/doing-business-halifax/community-non-profit-resources.

Following the March 31, 2021 deadline for receipt of renewal forms from those organizations in the program reminder letters were sent with a final notification by registered mail in June 2021.

Due to uncertainty with respect to any follow-up to Council's motion of October 5, 2021, advisory letters were sent to those organizations in default of reporting with a Confirmation Form attached. This communication was mailed in mid-October 2021.

ATTACHMENTS

1. Confirmation Form (2021)
2. Incremental Penalties for Late Renewals – Current Policy (2021)

A copy of this report can be obtained online at halifax.ca or by contacting the Office of the Municipal Clerk at 902.490.4210.

Report Prepared by: Peta-Jane Temple, Team Lead Grants & Contributions, Finance & Asset Management
902.490.5469

Non-Profit Tax Relief – Renewal Form**Confirmation of Ownership, Occupancy and Good Standing****Instructions**

NOTE: This form must be filled out to ensure automatic re-enrollment in the program. Provide additional information or documentation for any question answered as No. The form must be signed by two members of the Board of Directors and mailed to: Grants & Contributions, HRM Finance and Asset Management, PO Box 1749, Halifax, NS B3J 3A5. Or e-mailed to nonprofittax@halifax.ca

Important Notice: The Notification Form must be submitted on or before June 30th. Late renewals will be pro-rated, starting July 1st, to deduct one day's tax relief for each day late. If June 30th or September 28th falls on a Saturday or Sunday, the deadline is the next business day. Maximum Penalty: July 1st to September 28th = a penalty of up to \$2,000 per property; after September 28th = a penalty of up to \$5,000 per property.

Name of Non-Profit/Charity:

Assessment Account Number (AAN) for properties:
(Note: add separate sheet if required for multiple properties)

The registration of the organization as a charitable and/or non-profit organization is in good standing:

YES **NO**

The organization remains owner of the property/properties for the year that tax relief is requested (April 1 to March 31).

YES **NO** (describe change)

If a lessee, the organization has a signed lease agreement for the year that tax relief is requested (April 1 to March 31). Or, it has the option of either an additional term, or the owner's consent to remain in possession of the premises.

YES **NO**

There has been no change in the use of the property/properties for which we originally applied for tax relief:

YES **NO** (describe change)

The organization has declared any occupancy of the property by someone other than the applicant to HRM - **Example; lease a portion of your property to private entity.**

YES **NOT APPLICABLE** **NO** (contact staff for further direction)

Required Signatures:

Board of Director:

Date:

Board of Director:

Date:

Incremental Pro-Rating for Late Renewals – Current Policy (2021)

Year 1 (First Late Renewal)

- April 1 to June 30 \$0 penalty ensures all participants receive a tax grant
- July 1 to September 28 Up to a maximum of \$2,500 per property
- After September 28 to March 31 Up to a maximum of \$5,000 per property

Year 2 (Consecutive Late Renewal)

- April 1 to September 28 Tax grant reduced by 1/365 with no maximum
- After September 28 Tax relief revoked

If eligibility is revoked the organization may apply for reinstatement in the following fiscal year.

A 3-month “grace period” for all renewals received after fiscal year-end (March 31) serves two purposes:

- (1) the timeline allows for receipt of forms by Canada Post or internal mail, identification of organizations that have not reported, and notification to those in default; and
- (2) ensures that every eligible organization receives at least some modest degree of tax assistance (3 months April 1 to June 30).