

Re: Item No. 15.1.7

HALIFAX

Non-Profit Tax Exemptions Program Redesign Concept

Regional Council
02/07/2023

Outline

- Current Program Issues
- Jurisdictional Scan
- Purpose of Redesign
- Proposed Program Features
- Proposed Categories (Schedules)
- Exemption Levels & Formulas
- Impact on 2022 Participants
- Financial Implications

Current Program Challenges

2011 Auditor's Report noted:

- Program reflects pre-amalgamation practices
- Inconsistent eligibility criteria and level of tax relief

Recommended an evaluation of current practice and development of detailed policy.

Comprehension of Program

- Current schedule names and exemption levels not clear

Annual Reporting & Billing

- Current reporting processes not timely or effective
- Billing only once a year is difficult for HRM and non-profits

Jurisdictional Scan

Considerable variance in approach:

- Some programs delivered directly by the provincial government
- Others delivered by municipalities in line with provincial legislation

Eligibility often depends on:

- Charitable status
- Registration as a nonprofit or charity
- Type of program or service
 - in general, the alleviation of poverty/special needs is higher

Consideration is typically based on **public access** to, and the **public benefit** derived from, a property in receipt of public assistance.

Purpose of Redesign

- Increase **predictability** and **consistency**
- Reduce uncertainty and volatility

This will be completed by:

- ✓ Identifying each Schedule in plain language
- ✓ Clear criteria for each Schedule
- ✓ Rectifying inconsistencies in tax relief between organizations providing similar services
- ✓ Moderating impact of market forces by setting a maximum tax payable

Supporting Features of Redesign

The redesigned program will:

- ✓ Eliminate “conversion” calculations
 - Replaced by clear exemption levels and tax rates for each schedule
- ✓ Add a minimum tax payable for program eligibility
- ✓ Moderate cash-flow impacts by issuing interim bills for 50% of annual net taxes payable
- ✓ Simplify late application and late payment processes and implications

Summary of Proposed Categories (8 Schedules)

Schedule	Description
A	Organizations Providing Housing and Dedicated Services for Persons with Special Needs
B	Family Services, Child Care, and Dedicated Youth Services Organizations
C	Cultural, Recreational, Environmental, and Community Transit Organizations
D	Organizations Providing Affordable Housing Rental Accommodations
E	Community Benefit Organizations
F	Organizations with Vacant Property Under Development
G	Organizations Under the Federal Government Rapid Housing Initiatives Program
H	Volunteer Search and Rescue Service Organizations (Interim)

Exemption Levels & Formulas

- Based on a Tax Benchmark and Exemption Level, each Schedule has an **Effective Rate**, a new feature to improve transparency and ease of understanding.

Effective Rates	Tax Benchmark (2022/23)	Exemption Level	Effective Rate (2022/23)
Schedule A	\$1.100	100%	\$0.000
Schedule B	\$1.100	85%	\$0.165
Schedule C	\$1.100	75%	\$0.275
Schedule D	\$1.100	50%	\$0.550
Schedule E	\$1.100	25%	\$0.825
Schedule F	\$1.100	75%	\$0.275
Schedule G	\$1.100	100%	\$0.000
Schedule H	\$1.100	100%	\$0.000

Minimum and Maximum Taxes

- Taxes payable by a non-profit are further limited by a **maximum tax**. If the *assessed value x effective rate* is greater than the maximum tax, the max tax is applied.

Min and Max Taxes	Minimum Tax	Maximum Tax	
	(per property)	(per property)	(per dwelling)
Schedule A	\$150	\$150	
Schedule B	\$150	\$2,500	
Schedule C	\$150	\$5,000	
Schedule D	\$150		\$1,450
Schedule E	\$150	\$10,000	
Schedule F	\$150	\$5,000	
Schedule G	\$150	\$150	
Schedule H	\$150	\$150	

Impact Modelling of 2022 Participants

Counts of Increases/Decreases	# Properties	
Increases \$5,000 or more	5	1%
Increases \$2,500 to \$4,999	14	2%
Increases \$1,000 to \$2,499	26	3%
Increases \$500 to \$999	9	1%
Increases \$151 to \$499	38	5%
Increases \$1 to \$150	35	<u>4%</u>
All Increases		16%
Value unchanged	2	0%
Decreases \$150 or less	512	63%
Decreases \$151 to \$500	34	4%
Decreases \$501 to \$1000	37	5%
Decreases \$1001 to \$2,500	46	6%
Decreases \$2,501 to \$5,000	23	3%
Decreases \$5,001 to \$10,000	11	1%
Decreases \$10,001 to \$25,000	16	2%
Decreases more than \$25,000	2	<u>0%</u>
All Decreases		84%
All Changes	810	100%

Most organizations will see a reduction in taxes payable, but some will pay more to align with other organizations providing a similar service.

Financial Implications

- Cost of redesign itself is approximately **\$500,000**.
- Total 2023/24 budget implications, including new applications and assessment increases of existing properties, is approximately \$1.2 million.
- The **\$1.2 million** is currently budgeted for 2023/24.

Estimated Cost of Program Redesign	Recommendation
2022/23 Program Cost	\$5,801,000
Estimated Incremental Cost of Redesign	\$499,000
Contingency for Program Changes	<u>\$0</u>
Estimated Cost (for 2022 implementation)	\$6,300,000
Cost of 4% Average Tax Bill Increase 2023 (Impact: 5.65% increase in NP budget ¹)	\$356,000
Cost of New Applications 2023	<u>\$182,000</u>
Estimated 2023/24 Program Cost	\$6,838,000
Budget increase required	\$1,242,000

Motion

RECOMMENDATION

It is recommended that Halifax Regional Council direct the Chief Administrative Officer to direct staff to:

1. draft a new Administrative Order as outlined in the Discussion Section and Attachment 1 of this report to repeal and replace the *Tax Relief For Non-Profit Organizations Administrative Order*;
2. report to Council through the Grants Committee for consideration of the resulting draft Administrative Order

ALTERNATIVES

Defer implementation of program redesign to fiscal 2024/2025.