

March 27, 2024

HALIFAX

Non-Profit Tax Exemptions

Program Redesign

Outline

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- Purpose of Redesign
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- Proposed Categories (Schedules)
- Exemption Levels & Formulas
- Schedule D Calculations
- Impact on 2023 Participants
- Financial Implications
- Communications Plan
- Alternative Option

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Background

2011 Auditor's Report noted:

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

February 7, 2023

- Presentation to Regional Council with proposed program redesign; Regional Council requested a supplementary report.

April 25, 2023

- Supplementary report to Regional Council; Regional Council directed the CAO to draft a new Administrative Order with the proposed amendments.

Current Program Issues

Comprehension of Program

- Current schedule names and exemption levels not clear.
- Organizations with similar programs and services receive different levels of tax relief.

Annual Reporting & Billing

- Current reporting processes not timely or effective.
- Billing only once a year is difficult for HRM and Non-Profit organizations.

Calculation Issues

- Complexity of current tax relief calculations means tax bills are currently calculated in a spreadsheet.
- Penalty for non-compliance is not currently enforced as the formula is too complicated.

Purpose of Redesign

Increase Predictability and Consistency

- Reduce uncertainty and volatility

This will be done 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

Features of Redesign

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 estimated annual net taxes payable (including tax relief exemption).

Simplify late application and late payment processes and implications.

Improved internal reporting and efficiencies due to implementation of program in the tax billing system.

Summary of Proposed Schedules

Schedule	Description
A	Charitable Organizations Providing Housing and Dedicated Services for Persons with Special Needs
B	Family Services, Childcare, 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
Appendix 1	Eligible Organizations that are Tenants Recognized Under Property Owner's Tax Relief

Proposed Schedules

Schedule A - Organizations Providing Housing and Dedicated Services for Persons with Special Needs

- Provision of housing and/or programs exclusively for individuals and families who require specialized services or accommodations.

Schedule B - Family Services, Childcare, and Dedicated Youth Services Organizations

- Programs and services exclusively or primarily serving parents or youth.

Schedule C - Cultural, Recreational, Environmental, and Community Transit Organizations

- Provision of amenities, programs and services that provide residents with opportunities to participate in cultural and recreational activities.
- Community-based environmental stewardship and community-based nonprofit transit services.

Schedule D - Organizations Providing Affordable Housing Rental Accommodations

- Rental housing serving lower to middle-income individuals and families.

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Proposed Schedules

Schedule E - Community Benefit Organizations

- Organizations in the program that do not meet the criteria of other Schedules.

Schedule F - Organizations with Vacant Property Under Development

- Property eligible for inclusion in the tax relief program that is vacant while under construction and unoccupied for a term of up to three (3) years.

Schedule G - Organizations Under the Federal Government Rapid Housing Initiatives Program

- Property subject to a signed financing agreement under the federal Rapid Housing Initiatives Program.

Appendix 1 – Eligible Organizations that are Tenants Recognized Under Property Owner’s Tax Relief

- Eligible organizations that indirectly benefit from tax relief by virtue of their tenancy in property accepted into the program.

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.
- The Benchmark rate is comprised of the Urban residential property tax rates set by Regional Council for that year, excluding fire protection and area rates for communities, private roads, and business improvement districts.

Schedule	Benchmark Rate (2023/24)	Exemption Level	Exemption Rate (2023/24)	Minimum Payable	Maximum Payable
Schedule A	\$1.100	100%	\$0.000	\$150	\$25,000
Schedule B	\$1.100	85%	\$0.165	\$150	\$25,000
Schedule C	\$1.100	75%	\$0.275	\$150	\$25,000
Schedule D	\$1.100	50%	\$0.550	\$150	\$25,000
Schedule E	\$1.100	25%	\$0.825	\$150	\$25,000
Schedule F	\$1.100	75%	\$0.275	\$150	\$25,000
Schedule G	\$1.100	100%	\$0.000	\$150	\$25,000

Schedule D Calculations

- Maximum tax payable differs for Schedule D: as proposed, per property, the organization pays the lesser of:
 - The maximum tax payable per dwelling unit threshold
- OR**
- \$25,000
-
- Maximum Per Dwelling Unit Amount means fifty per cent (50%) of the average total residential property taxes for single-family homes within the Municipality for the prior Fiscal Year, rounded to the nearest \$50 i.e. the average tax bill for a single-family in 2023 was \$3,262 so the threshold is \$1,650.

Schedule D Calculations Example

- Example:
 - Single-family home with an assessed value of \$250,000
 - 1 dwelling unit
 - $\$250,000 * \0.550 (exemption rate from earlier slide)/100 = \$1,375
 - Dwelling unit maximum = \$1,650
 - Property owner would be billed \$1,375 (without exclusions such as fire protection)
- If the above property was a large building with 30 units and an assessed value of \$5,000,000, the property owner would pay the maximum of \$25,000 (without exclusions) as that's less than \$49,500 (30 * \$1,650) and less than \$27,500 ($\$5,000,000 * \$0.55/100$).

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Impact Modelling of 2023 Participants

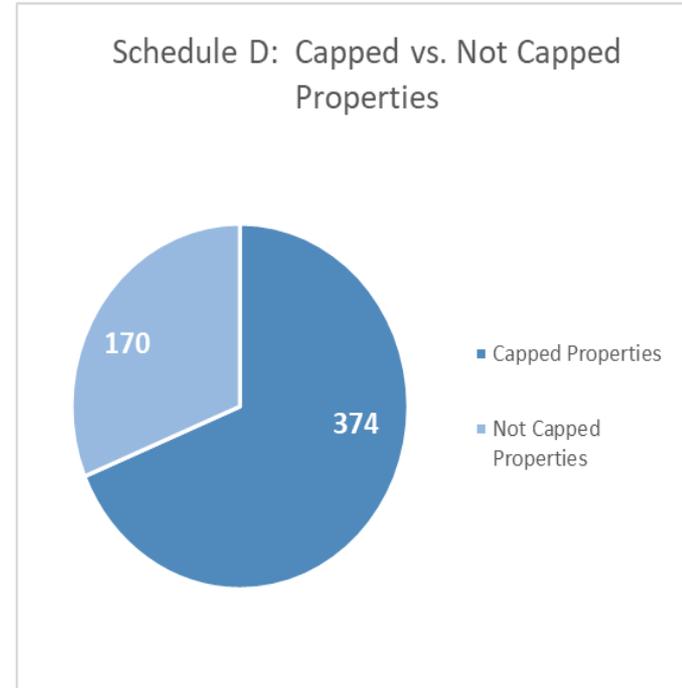
Counts of Increases/Decreases	# Properties	
Increases \$5,000 or more	8	1%
Increases \$2,500 to \$4,999	10	1%
Increases \$1,000 to \$2,499	28	3%
Increases \$500 to \$999	11	1%
Increases \$151 to \$499	45	5%
Increases \$1 to \$150	88	<u>11%</u>
All Increases		23%
Decreases \$150 or less	443	54%
Decreases \$151 to \$500	32	4%
Decreases \$501 to \$1000	38	5%
Decreases \$1001 to \$2,500	51	6%
Decreases \$2,501 to \$5,000	26	3%
Decreases \$5,001 to \$10,000	24	3%
Decreases \$10,001 to \$25,000	16	2%
Decreases more than \$25,000	3	<u>0%</u>
All Decreases		77%
All Changes	823	100%

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



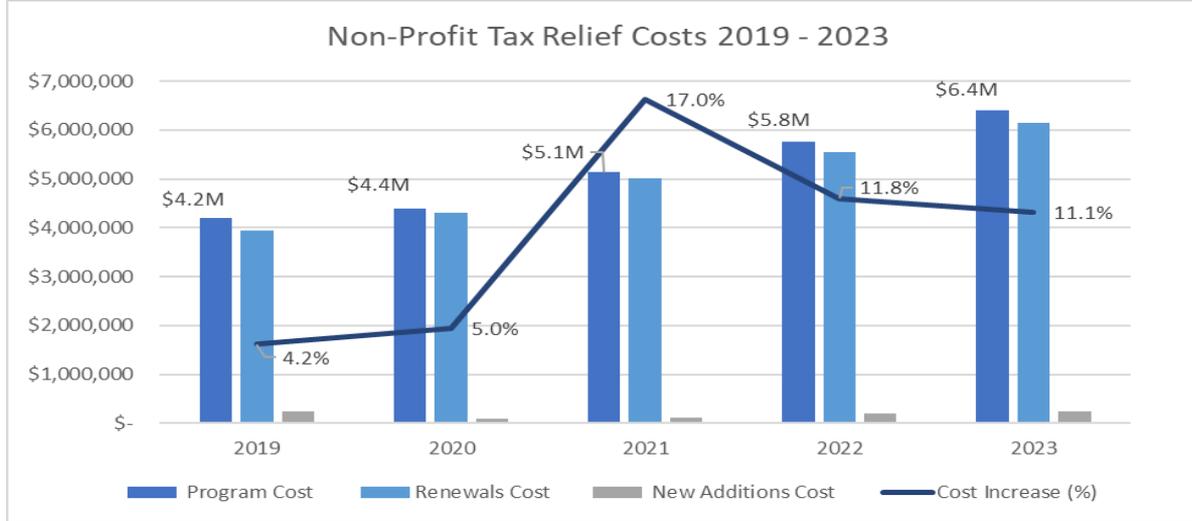
Alternative Option

- A portion of properties in Schedule D are eligible for the provincial Capped Assessment Program (CAP).
- Alternative option proposes decreasing the percentage discount provided in Schedule D for properties eligible for the CAP.
- The difference between 'market value' and 'capped value' ranges from \$28,000 to \$2,100,000 per property.
- Represents a significant annual savings, average savings in 2023 of approximately \$1,750 per property, calculated using the proposed benchmark rate for 2023/24.



Financial Implications

- Cost of redesign itself is approximately **\$600,000**.
- Total 2024/25 budget implications, including new applications and assessment increases of existing properties, is approximately \$7.5 million and is included in the fiscal budget.
- Majority of annual costs are attributed to renewals, as shown below.



Communications Plan

- Communications package to be sent to current 2023 program participants including:
 - Newsletter
 - Request for Review form and submission deadline
 - Custom letter, if required (i.e. total tax is below \$150 per year)
 - Website updates with new materials
- Internal communications will be sent to Staff and a working group has been organized to implement the changes in the tax billing system

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Motion

RECOMMENDATION

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

1. Adopt Administrative Order 2024-001-ADM, the *Tax Relief Administrative Order*, including repealing the *Tax Relief for Non-Profit Organizations Administrative Order*, as set out in Attachment 1 of this report, effective April 1, 2024;
2. Direct the Chief Administrative Officer to direct staff to implement the Communications Plan described Attachment 2 of this report;
3. Request the Nova Scotia Government amend subsections 89 (1) and (4) of the *Halifax Regional Municipality Charter* to protect the identification of a residential property serving victims of abuse in receipt of a municipal tax exemption by excluding such properties from the legislated requirement that properties in receipt of tax relief be specifically named in policy; and
4. Adopt the amendments to Administrative Order 18, the *Revenue Collections Policy Administrative Order*, as set out Attachment 5 of the report.