Proposed UNSM Strategy to Tackle Capped Assessment Program
Prepared by UNSM - November 2015

Background:

The Property CAP is creating greater unfairness in the property tax system. It is contrary to the concept that people with similar houses and similar services pay similar taxes. People with identical houses on the same street are paying different amounts due to the length of time they have been in their home. Young people buying their first house, newcomers to a community, seniors downsizing, people building new homes - all could be paying more in property taxes than the person next to them. This is an issue of fairness, and the gap increases each year.

The UNSM would like to see the CAP phased out over time or at a minimum be increased to 10 per cent to reflect truly dramatically rising assessments. The province does appear to see this as an issue important enough to address. It is municipal officials who are most often asked to explain why one person's taxes are higher than their neighbours. This is not an assessment issue, nor a tax rate issue - it is a provincial policy issue.

The UNSM would like to work with all 51 municipal units to create a public awareness strategy on the negative impacts of the CAP.

Quick CAP History:

The CAP was introduced by the Province in 2005 to help protect a limited number of property owners against dramatically rising assessments, over 15%. Since then, the level at which the cap kicks in was decreased to 10 per cent and then to CPI - it can no longer be defined as dramatic. With the cap now set at CPI, the majority of home owners are now under the CAP system. By painting all residential properties with the same brush, the cap has resulted in the unintended effect of redistributing the tax burden, and higher value property owners are benefiting more than lower value property owners. As well, assessment increases over the last number of years have been much closer to consumer price index and in some areas, assessments are decreasing. Each time a home is sold, the CAP is removed and the taxable assessment is reset to the new market value.

Issues Associated with the CAP:

Penalizing New Home Owners and new home purchases - There is a growing awareness among young families, immigrants, and other newcomers to the community of the negative impact of the expanding gap between capped and market values of properties, enough that it may discourage them from coming to, or remaining in the province. The OneNova Scotia Report points to the need to keep young families and to attract immigrants if we are to grow as a province. As well, people moving from one house to another may not realize their new home purchase will not be capped until they have been in the home for a year.

Penalizing Seniors - The origin of the CAP was a response to seniors with high property values living in a modest home. This group is now beginning to pay relatively more taxes as their wealthy neighbours gain more benefit from the cap. Moreover, the cap is preventing seniors from moving to smaller, less expensive, more accessible homes due to the higher taxes they will face when the cap is removed from their new home.

Hindering Job Creation - Building new homes and renovating houses are an important element in the Province's overall employment and economic strategy. As the CAP impacts grow, new home buyers will face greater "sticker shock" in terms of uncapped assessment values as they consider new home construction. In the Municipality of East Hants for example, the projection of existing trends indicate that two similar houses in the same subdivision could have as much as an 80 per cent difference in tax burden by 2016. This situation will be repeated in other parts of Nova Scotia, causing new home buyers to hesitate, reducing demand for new home construction. Since the CAP does not apply to renovations and additions, homeowners who have undertaken this work are taxed on the current value of their renovations, in addition to the capped value on the remainder of their assessment, again a disincentive to renovate.

Eroding Market Value System - The CAP is eroding the market value assessment system. While not perfect, the market value system is considered the fairest property tax system. It is the most widely used system as it is easily understood and easy to administer. The farther we move away from the market value system under the current program, the greater the inequities that will occur. This issue will not be solved without intervention by the province, and will only worsen.

Recommended Municipal Strategy:

In order to motivate the Province to address the CAP, municipalities will need to lead the charge. The UNSM recommends that each municipality include the following information to home owners when sending out your next property tax bills:

1. Indicate what your lower tax rate would be if the CAP were removed. While this will show who benefits from the CAP, more importantly it will show a number of home owners they would actually pay less taxes than they are currently paying with the cap in place.

2. Include a comparison of similar homes, similar services, demonstrating the vast differences in their assessments as a result of the CAP in place over time. Compare the difference in property tax each home owner is paying - those that have been capped for a number of years and properties which recently sold and are no longer capped.

See Appendix A for examples.

Appendix A: Impact of CAP on Similar Properties, Selected Municipalities, Nova Scotia, 2014

	Market value	Value after capping	Property Taxes	Comments
Halifax Regional Municipality				
Condominium #1	$132,300	$97,500	$1,190	In program since 2006
Condominium #2	$132,300	$122,300	$1,492	Sale in 2010 and 2009 reset CAP (previous year CAP - $86,100)
Condominium #3	$132,300	$132,300	$1,614	Ineligible for CAP (not owner- occupied)
Town of Lunenburg				
House #1	$227,400	$178,200	$2,156	In program since 2005
House #2	$260,400	$260,400	$3,151	Ineligible for CAP (non-resident)
House #3	$259,900	$204,300	$2,472	In program since 2005
House #4	$251,000	$251,000	$3,037	No CAP (Sale in 2011)
House #5	$403,000	$101,900	$1,233	In program since 2005
New Glasgow				
House #1	$463,000	$463,000	$8,430	Ineligible for CAP (new construction 2009)
House #2	$425,600	$425,600	$7,746	Sale in 2010; no CAP benefit for 2010 or 2011
House #3	$421,700	$322,600	$5,871	In program since 2007
Port Hawkesbury				
House #1	$175,600	$175,600	$2,845	Sale in 2011
House #2	$175,200	$145,100	$2,350	In program since 2008
Town of Yarmouth				
House #1	$328,000	$297,500	$5,206	In program since 2008
House #2	$327,700	$327,700	$5,735	Sale in 2011

	Market value	Value after capping	Property Taxes	Comments
House #3	$227,800	$193,200	$3,381	In program since 2005
House #4	$225,500	$225,500	$3,946	Sale in 2011
Municipality of the District of Chester				
House #1	$3,799,300	$2,344,000	$15,001	In program since 2005
House #2	$2,421,700	$2,276,600	$14,570	In program since 2008
House #3	$2,369,200	$2,369,200	$15,162	Ineligible for CAP (non-resident)
House #4	$193,600	$168,200	$1,076	In program since 2008
House #5	$193,600	$193,600	$1,239	Sale in 2011
Source: *Property Value Services Corporation*				