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Municipal Responsibilities Need To Be Discussed Before Changing Property Tax System

By Councillor Russell Walker, President, Union of Nova Scotia Municipalities

In recent weeks, a number of articles have appeared in the Chronicle Herald recommending alternatives to the assessment-based property tax system. While this system is not perfect, it is the most widely used system of municipal taxation around the world.

Many citizens may not know this fact - of all the taxes they pay, only eight cents of every tax dollar goes to municipalities. And for your municipal taxes here is what you receive:

- solid waste management - garbage pick-up, composting, recycling
- public protection and safety services - policing, fire services and emergency management
- road maintenance including paving and snow removal
- streetlights
- assessment services
- recreation programs
- cultural events
- parks and trails
- libraries
- economic development
- In towns and urban parts of regional and rural municipalities, you also receive water, sewer and transit services.

This is a significant number of services for a much smaller tax burden when compared to provincial and federal taxes. It is also important to mention that 18 per cent of the property taxes you pay are used for education - a provincial responsibility.

Municipalities recognize that nobody enjoys paying taxes. Property taxes tend to be an easy target because a direct municipal tax bill is sent to your home or business. Federal and provincial income taxes tend not to be as visible.

The property tax system has been a mainstay in Nova Scotia since 1879 when the province created municipalities giving them responsibility to provide local services. In the early days, local services were easily defined - those services which were tied directly to property. These included roads, and pipes and sewers to transport water and wastewater. These services were essentially immobile; paying for them through property tax was appropriate.



Over time, increased demands for additional services, and the downloading of responsibilities from provincial to municipal governments have placed increasing pressure on property taxes. Now a number of services provided by municipalities are not directly tied to property.

Municipalities in Nova Scotia have few alternatives to the property tax, and typically any change to the existing system will only result in shifting the tax burden with some taxpayers paying less, and others paying more.

Given that municipal services require substantial funding to operate, the question is how to fairly allocate the cost among taxpayers. The current legislation requires market based property assessment, meaning those with higher valued properties pay a larger share of municipal taxes. The assumption is that people buy property, particularly residential property, based on their ability to pay, and to some degree, the surrounding community amenities and services.

Municipalities have tools such as property tax exemptions, deferrals, and rebates to assist low income property owners challenged to pay their property taxes. The Province, through the Department of Community Services, has property tax programs in place to assist certain groups including seniors.

In Nova Scotia, property assessment is not conducted by municipalities, but by an arms-length organization, the Property Value Services Corporation, which follows national standards in assessment services. The PVSC is continually working to improve their assessment service to ensure the system is transparent and understandable. Councils do not determine the assessment.

As a number of recent media articles have pointed out, income tax is used by other countries, in particular the Nordic countries. However, local governments in these countries are responsible for different local services than in Nova Scotia - including health and education. For these services, income tax is an appropriate mechanism. In Nova Scotia these services are also paid through income tax. We would welcome the Province to use the income tax to pay for 100 per cent of its education costs, and not use property tax at all.

Municipalities are often referred to as the level of government closest to the people. You see your tax dollar at work every day. You can contact your local councillor and have a conversation with them about your concerns and suggestions.

Issues around tax reform are difficult and complex. Changes need to be clearly thought out and taxpayers consulted. Changes may be needed, but the changes should be done in the context of a full discussion on the roles and responsibilities of municipal government - identifying the needs of communities, the services municipalities are best suited to provide, and the most appropriate way to provide those services.

The Union of Nova Scotia Municipalities is a not-for-profit organization mandated to represent the Provincial interests of municipal governments across Nova Scotia.