

Municipality of the District of Lunenburg



**All-Party Committee on the
CAP**

January 30, 2020

MODL

Budget Review - 2019-2020

Tax Revenue:

\$29,465,600

Net Expenditures:

\$29,375,800



MODL ASSESSMENT SUMMARY 2019-2020

TOTAL # OF TAXABLE
PROPERTIES: 29,798

TOTAL # OF CAPPED
PROPERTIES: 13,656 (46%)

Total Market Assessment (W/O CAP)

- **\$2,999,437,400**

Total Market Assessment (W/ CAP)

- **\$2,730,610,100**

Assessment Value Differential

- **\$268,827,300**

BENEFITS OF THE CAP

The CAP Program is PREDICTABLE

- For the last 15 years, residents with eligible property have experienced a predictable increase in their property assessment. Generally, these are residents that have owned their property for several years or situations where ownership has remained in the family.
- New homeowners are aware that their property assessment will closely mirror the purchase price of the property.
- The situations in which the CAP Program applies is PREDICTABLE and the situations where the CAP Program does not apply is equally PREDICTABLE.



BENEFITS OF THE CAP

The CAP Program AVOIDS SUDDEN TAX INCREASES & HELPS PEOPLE STAY IN THEIR HOMES

- The CAP Program was (and is) intended to protect Nova Scotians from sudden and dramatic increases in property assessment that would otherwise take place when out of province purchasers start to buy property in popular areas (such as waterfront properties on the South Shore).
- That protection was needed in 2005 (when introduced) and it is still needed today.



BENEFITS OF THE CAP

The CAP PROVIDES AN INCENTIVE FOR PROPERTY TO REMAIN IN THE FAMILY

- In order to be eligible, at least 50% of the property must be owned by a NS resident and, to continue to be eligible, subsequent ownership must remain within the family.
- This acts as an incentive for elderly residents to transfer ownership of the family home to the younger generation.
- This permits the home to stay within the family and the next generation to raise their family in the area that they grew up in.
- We see this as a particular benefit for rural Nova Scotia.



NATURAL 'REDUCTION' OF THE CAP

In the 10-year period from fiscal 2010/11 to 2019/20, the # of Capped Properties in MODL was reduced from 18,259 (2010/11 - 72% of All Taxable Properties) to 13,656 (2019/20 - 46% of All Taxable Properties).

- Demonstrates that the CAP Program reduces naturally and the number of eligible properties more closely resembles those properties that require CAP protection.
- The CAP Program is working as it was intended to work.
- If the trend continues, the number of eligible properties will continue to be reduced which will address the issue of the 'shifted tax burden.



What 'Distorts' the Property Tax System?

MODL suggests that the real 'distortion' of the Property Tax System has been caused by the imposition of 'Mandatory Contributions & Expenditures' on Municipal Units by the Provincial Government for 'services' that are wholly within the jurisdiction of the Province.



Mandatory Contributions & Expenditures

Education: \$8,143,600 (28%)

Corrections: \$433,500 (1.5%)

Regional Library: \$162,000 (0.55%)

Policing (RCMP): \$3,207,000 (11%)

Roads & Streets: \$727,800 (2.5%)



Mandatory Contribution to Education

Municipal Units are required to contribute approximately 0.3% of their Total Taxable Assessment (After CAP) to the Province for 'Education' with the funds coming from the general tax rate.

- In 2019/20, MODL was required to contribute \$8,143,600 to the Province for 'Education'. This is the single largest cost to the municipality and represents approximately 28% of our Net Expenditures.
- In MODL, \$0.01 on the Tax Rate amounts to approximately \$270,000, therefore the Education Contribution represents approximately \$0.30 on our tax rate.
- By downloading this burden on Municipal Units, the Province has artificially inflated property taxes to provide funding for a Provincial Expense that would have otherwise been paid from the Provincial coffers.
- If the Mandatory Education Contribution was removed, all municipal units would see a significant reduction in their Property Tax Rates; in an amount well beyond any adjustment that would result from the elimination of the CAP Program.



Increase in Total Assessment = Increase in Mandatory Contributions & Expenses

Generally, the formula for calculating the amount that a municipal unit must pay to the Province for the mandatory contributions and expenses is based on the Total Taxable Assessment (After CAP).

- If the CAP Program is eliminated, Municipal Units will see an increase in the Total Taxable Assessment, resulting in a corresponding increase in the amount of the mandatory contributions and expenses payable to the Province.
- In MODL, the removal of the CAP Program would cause an increase of Total Taxable Assessment from \$2.73 Billion to approximately \$3 Billion and it would result in an increase in the Mandatory Education Contribution of approximately \$856,000 (from \$8.15 Million to \$9 Million).
- While the NSFM resolution calls for 'revenue-neutrality' in the implementation of the removal of the CAP Program (so tax rates go down at the same speed as the CAP comes off), what assurances can Municipal Units be given that the Province will not increase the amount of the Mandatory Contributions and Expenses as the Total Taxable Assessments increase?



MODL's Position

MODL supports the continuation of the CAP Program.

- The CAP continues to make property taxes predictable (and clearly defining the criteria for determining whether a property is eligible);
- The CAP continues to permit owners of eligible properties to avoid sudden unexpected increase in assessment values (while clearly giving notice to owners that transfer in ownership during the year will result in assessment valuation based on the market conditions);
- The CAP provides an incentive for owners to remain in their homes and to transfer the home to family members;
- The number of CAPPED Properties has been declining over the period from 2010/2011 to the present and, if permitted, the program will phase out naturally over time; and
- The protection that was needed by NS Property Owners in 2005 (when the first assessment roll with capped assessments was introduced) is still needed today.



Recommendation of MODL

The All-Party Committee examine the distortion of the Property Tax System that has been caused by the imposition of 'Mandatory Contributions & Expenditures' on Municipal Units by the Provincial Government for services that are wholly within the jurisdiction of the Province.

