



**Nova Scotia Federation of Municipalities
Proposal for phasing out the Capped Assessment Program
(CAP)**

PREAMBLE:

The changes to the CAP since its implementation have unintentionally resulted in the creation of inequities in the property tax system in Nova Scotia. Homeowners buying a new home are paying higher property tax based on their taxable assessment returning to market value with the purchase of the home, compared to their neighbours whose assessment remains capped. As a result of the CAP being set to CPI since 2007, the CAP has moved away from its original purpose to protect property taxpayers to prevent sudden and dramatic increases in property assessment.

BACKGROUND:

- The CAP was introduced in 2005 to prevent sudden and dramatic increases in property assessment, specifically along waterfront properties on the South Shore of Nova Scotia.
- In 2007, the *Assessment Act* was amended, with all-party support, to limit the CAP prescribed percentage to the annual increase in NS Consumer Price Index (CPI). These changes, and further changes in 2008, resulted in a large increase to eligibility for the program and an increase in the CAP's annual increases in eligible residential and resource property assessments to the CPI, unless a property is sold.
- Ineligible properties for the CAP include: apartments, non-owner-occupied condos, majority owned by a non-resident, commercial properties, new construction, and properties that have transferred during year (unless to a close family member).

I. WHEREAS:

- i. The Province of Nova Scotia is responsible for the *Assessment Act* and regulations.
- ii. The CAP is mandated for all Nova Scotia municipalities in the Act.
- iii. The scope of the program has significantly moved beyond the original intention of protecting homeowners from sudden and significant increases in residential and resource assessment.
- iv. The Partnership Framework signed by the Minister of DMAH and the President of NSFM in May 2018 identified the review of any issues associated with the CAP and recommendations on proposed solutions as a joint municipal-provincial priority.
- v. NSFM has raised the issues with the CAP with the Province consistently over the last several years. In 2018/19, NSFM members passed a Resolution that the Province of NS work with municipalities and other stakeholders to phase out the CAP program and provide better alternatives to protect low-income homeowners and those experiencing significant increases in residential property assessments.
- vi. NSFM commits to working with the NS Liberal Party, the NS Progressive Conservative Party, and the NS New Democratic Party to gain support for the elimination of the CAP.
- vii. A phase-out of the CAP will improve the property tax system in Nova Scotia. This will help to attract and retain people in Nova Scotia by making buying or owning a home more affordable.

II. THEREFORE:

NSFM requests that the Province commit to the following:

- i. The elimination of the CAP from legislation through the proposed 13-year capped amount reduction per Appendix A until all residential and resource properties in Nova Scotia are no longer in the CAP.
- ii. When residential or resource properties sell and come out of the CAP program, the new property owner shall not re-enter into the CAP program at any point in the future.
- iii. After five years into the phase-out, the Province will conduct a comprehensive review of the program at the expense of the Province. NSFM will be a part of the review.

- iv. Municipal units will be required by legislation to have a property tax assistance program for low-income homeowners.
- v. Municipal units will be required by legislation to have a spike protection mechanism for increases in taxable assessment of 10% or greater in a single year, due to market factors. The spike protection will be administered by municipal governments throughout Nova Scotia.
- vi. Municipal units will be required by legislation to extend the phase-out period for homeowners with a substantial difference between capped and market assessment. This assistance will be means tested, with the details to be confirmed through negotiation and set in regulation.
- vii. Municipalities shall uphold *truth in taxation* principles. This will be demonstrated through a clear and publicly available document that details the determination of a municipal unit's residential and resource tax rate, and what that rate would be in the absence of the CAP phase out.
- viii. Municipalities shall commit to lowering their residential and resource property tax rates equivalently as a result of changes to the total taxable assessment associated with the phase-out of the CAP, though municipalities ability to establish whatever tax rate is required will be maintained.
- ix. That the Property Tax Rebate for Seniors program be expanded by removing the reduction in rebate resulting from corresponding low-income property tax rebate offered by municipalities.
- x. That any increases to municipal contributions to Provincial revenues as a result of the increase to uniform assessment be prevented.

III. MISCELLANEOUS

It is expected that that the proposed changes would be kept in effect until the CAP is eliminated in Nova Scotia and removed from legislation, and that a five-year review of these changes would be conducted.

Appendix A:

Proposed Gradual CAP Reduction Amounts	
2020	4%
2021	5%
2022	6%
2023	7%
2024	7%
2025	8%
2026	9%
2027	9%
Cont. until eliminated in 2032	9%