

Resolution 1

Capped Assessment Program (CAP) (passed in 2018, retained in 2019)

WHEREAS the CAP program distorts the property tax system; and

WHEREAS it is not clear the homeowners most in need of property tax relief are the ones benefitting from the CAP program; and

WHEREAS municipalities are willing to offer pilot programs that will continue to meet the original objectives of the CAP program though a different approach; and

WHEREAS pilot programs can be evaluated to determine intended and unintended impacts of changes; and

WHEREAS a study on Municipal Property Taxation in Nova Scotia, by academic experts Harry Kitchen and Enid Slack recommended a phase-out of the CAP program;

THEREFORE, BE IT RESOLVED the Province 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; and

FURTHER BE IT RESOLVED that the Province enable pilot projects to be undertaken as soon as possible.

Issue Identification:

The CAP was introduced by the Province to make property taxes predictable by avoiding sudden increases, and to help those in need be able to stay in their homes. But the CAP is now entrenching inequity in the tax system each year, with some taxpayers paying much more and others paying far less than their fair share of the property tax burden.

Even worse, this unfairness is not transparent. As a result, many taxpayers negatively affected support the program. And, to complicate things, it's likely that most of the provincial politicians who must ultimately end the CAP have no idea of its unfairness to constituents. The CAP is fundamentally unfair and should have ended long ago.

Background:

2019 officially marks 15 calendar years of NSFAM opposition to the CAP. NSFAM—or UNSM, as we were then known—even advocated against the CAP before it existed, between introduction as proposed legislation in October 2003 and assent in May 2004. UNSM met with MLAs from every party to speak against Bill 40, but our advocacy efforts were unable to prevent the Bill from becoming law.

Action on the CAP was a priority resolution for NSFAM in 2013, 2017 and 2018, and in every year where the CAP was not a priority resolution, work was underway behind the scenes: numerous committees have tried to find ways to deal with the CAP, and research efforts and communications strategies to do away with the CAP have been undertaken every year since the inception of the CAP in 2005. These efforts include a 97-page academic study in 2014 recommending the removal of the CAP system in Nova Scotia, authored by municipal finance experts Dr. Enid Slack and Dr. Harry Kitchen (available through NSFAM).

In past years, NSFAM would present the Province with a single, detailed proposal on the CAP. The thought was that NSFAM could take a different approach by presenting the Province with a selection of options that NSFAM is open to exploring and then to ask for the Province to work with municipalities and other stakeholders to find a suitable solution. The idea was that the solution need not match any one of the proposals put forward, which were to be regarded as starting points, but simply that a solution be found that is acceptable to Nova Scotians, and which recognizes the political realities of managing tax policy change.

Since the last Fall Conference in November 2018 NSFAM has led a steering committee with AMA and PVSC representation to strategically work towards a solution to the CAP issue. Stakeholders include the Property Valuation Services Corporation (PVSC), the Nova Scotia Association of Realtors (NSAR), the Canadian Home Builders' Association – Nova Scotia (CHBA-NS), the Investment Property Owners Association of Nova Scotia (IPOANS), the Real Estate Lawyers Association – Nova Scotia (RELANS), the Canadian Mortgage Brokers Association – Atlantic (CMBA Atlantic), and the Nova Scotia Real Estate Appraisers Association (NSREAA). The steering committee has met with the Minister of Municipal Affairs and his staff on several occasions and have met with many key stakeholders. We have held meetings with policy staffers at the Liberal, PC, and NDP caucus offices, and have given presentations to the NDP, Liberal, and PC caucuses.

The broadness of the 2018 resolution request and the wide engagement of stakeholders has been effective. We have had productive interactions with the Province and feel confident we are getting closer to resolving this use.

Impact on Municipalities:

While the CAP is a provincial program, municipalities are being asked by more and more residents why they pay more property taxes than their neighbour. New home buyers, whether first time buyers or seniors looking to downsize, are faced with higher property taxes than neighbouring homes, even though services are the same.

NSFM has known since 2007 that the CAP had shifted the tax burden from homeowners with capped properties to those with uncapped properties. And by late 2010, NSFM was able to demonstrate that by setting the CAP rate at CPI, the program had resulted in inequitable tax burden shifts from higher to lower-assessed homes.

Tax rates in many municipalities are higher than they would be if there were no CAP. Yet setting tax rates must be done knowing additional hardship may be imposed on those not benefitting from the CAP, as pointed out in the Grant-Thornton viability study for CBRM.

Proposed Action:

NSFM and Nova Scotia's municipalities remain committed to keeping property taxes predictable and not forcing anyone out of their homes as a result of rising taxes. It is recommended that NSFM continue working with the Province to phase out the CAP in favour of the following tools:

- a spike protection mechanism to protect from sudden increases; and
- low-income protections (now in 47 of 50 municipalities); and
- a slow phaseout, providing a transition over 13 years; and
- revenue-neutrality in implementation, so tax rates go down at the same speed as the CAP comes off.