

Resolution 1

CAPPED ASSESSMENT PROGRAM (CAP) (PASSED)

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 is a significant issue for municipalities as it unfairly distorts the property tax system. For every dollar one person might save, another person pays, and evidence shows the people who need assistance the most are not necessarily the ones receiving it. It has created a situation where homeowners with similar houses with similar service can pay significantly different taxes. The CAP is discouraging the building of new homes as well as renovations to existing homes. The CAP program needs to be phased out or eliminated.

Background:

While the Partnership Framework signed in 2018 includes a commitment to review issues and make recommendations on proposed solutions, there has been no commitment to establish a joint municipal/provincial committee to identify and address the CAP issue.

The Province is looking to municipalities to raise the CAP issue with their residents. NSFM is committed to working with municipalities to increase their education efforts on this issue.

Municipalities recognize any solution will need to support low-income property owners

and protect against significant increases in assessment.

The Real Estate Association, along with the NS Home Builders Association, the Atlantic Mortgage Brokers Association, the Real Estate Lawyers of Nova Scotia and the Real Estate Appraisers of Nova Scotia have also requested the Province eliminate the CAP program. NSFAM will be working with this group to explore solutions. In addition to the elimination of the program, other alternatives may be identified that minimize the harm of the CAP. It may be appropriate for a joint request to the Province to consider two or three options. For example, one possible option in addition to elimination of the program would be to increase the rate at which the CAP applies over time back to its previous rate of 10%, or its initial rate of 15%. The intent would be to submit a joint proposal to the Province with options to address the issues.

Impact on Municipalities

While this 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. 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.

Proposed Action

The CAP program is wrong for many reasons and needs to be replaced with a better program that ensures low-income homeowners are not forced to sell their homes because they cannot afford the property tax.

Several municipalities have requested the opportunity to have a pilot program to demonstrate the impact of removing the CAP program. A resolution is recommended requesting the Province allow a pilot program.

Response from:

Department of Municipal Affairs

RESPONSE: