

Tax Reform

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Why and What is Tax reform?

- 3 main issues -
 - Tax structure
 - Lack of predictability in commercial tax assessment
 - Incentive to attract businesses to BIDs
- The 3 changes recommended are:
 - Zones
 - Tiers
 - Assessment averaging



Proposed Zones for Commercial Tax

- The tiered rates for commercial properties located in multiple commercial taxation zones are:
 - Big Box
 - High Density
 - SME (Small, Medium Enterprise)
 - Industrial
 - Rural
- All BIDs are under SME - Small, Medium Enterprise.

Revised Tax Rates (Five Zones with Tiers)				
Five Zones	Up to \$500k	\$0.5 to \$1M	\$1 to \$2M	Over \$2M
Big Box	\$2.900	\$2.800	\$2.700	\$3.472
High Density	\$2.900	\$2.800	\$2.700	\$3.000
Industrial	\$2.900	\$2.800	\$2.700	\$3.088
SME*	\$2.900	\$2.800	\$2.700	\$3.000
Rural	\$2.650	\$2.650	\$2.650	\$2.650

*Small, Medium Enterprise

The tax rates are for each \$100 of assessment



Tiered Tax Rates (5 Zones with Tiers)



Assessment Averaging

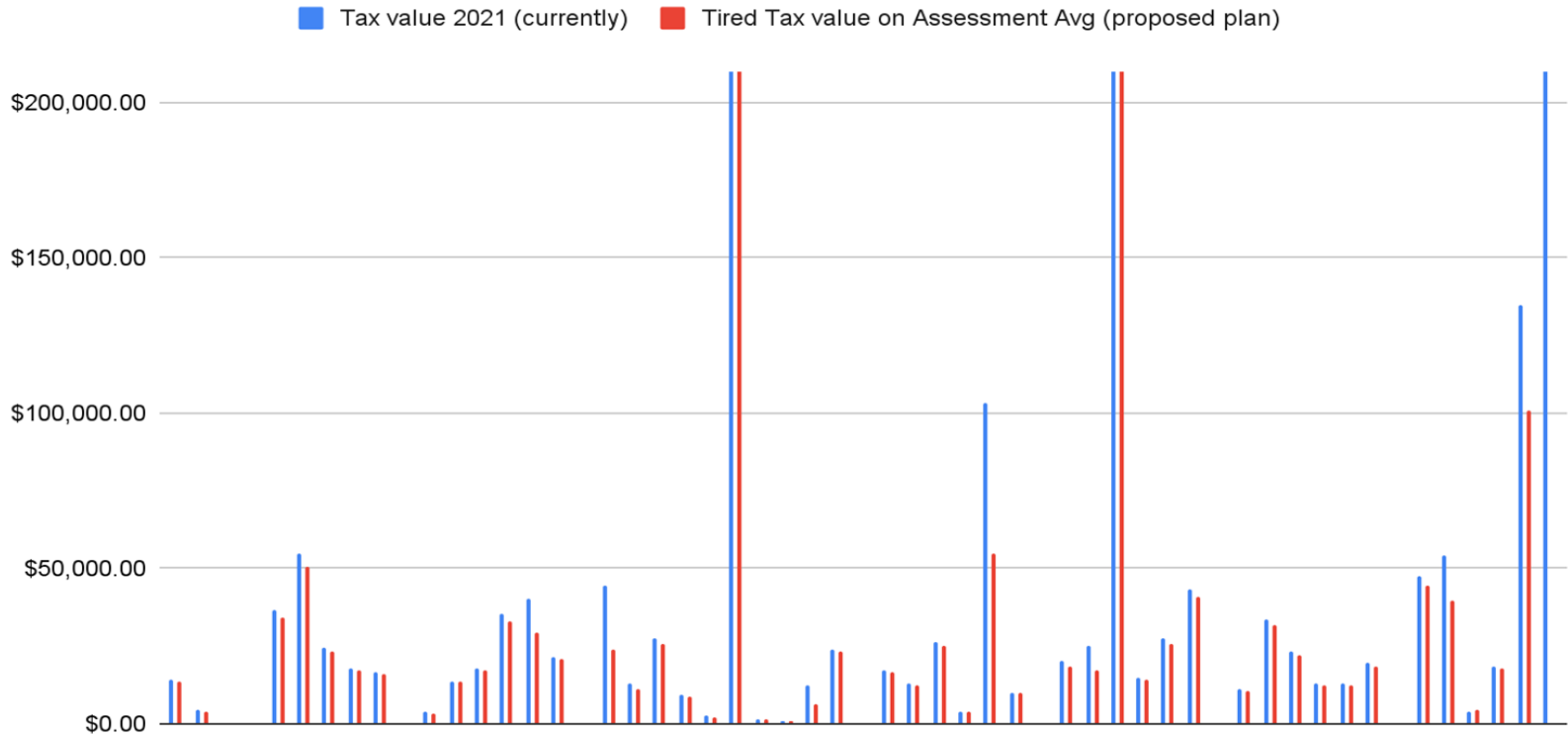
- Between 2020 and 2021, the assessed value of commercial properties increased 2.6% (on average).
- Therefore, applying the June 2019 criteria, properties that increased in value by more than 7.6% (5% above the average of 2.6%) would be eligible for assessment averaging.
- If a commercial property value *increases more than the annual threshold*, the assessment increase will be *averaged over three years*.
- The impact on the levy is an average of 5.26% (with current system the levy is \$137,623.73 , and the levy after the proposed changes is \$131,034.45)

Commercial Tax and Small Business: Five Zones with Tiers			
Use below tabel when assesment value > (Greater than) \$500K			
	Assesment Value	\$1,436,782.80	
Tax rate (Braket)	Assesment	Commercial Tax Rate	Tax Value
500K <	\$500,000.00	2.85	\$14,265.00
500K - 1M	\$500,000.00	2.75	\$13,765.00
1M - 2M	\$436,782.80	2.65	\$11,587.85
2M >	\$0.00	2.95	0
	TRUE		\$39,617.85

Commercial Tax and Small Business: Five Zones with Tiers			
Use below tabel when assesment value < (Less than) \$500K			
	Assesment Value	\$493,346.00	
Tax rate (Braket)	Assesment	Commercial Tax Rate	Tax Value
500K <	\$493,346.00	2.85	14075.16
	TRUE		14075.16



Proposed Commercial Tax Rate structure



Comparison of Current and Proposed Tax System



Conclusion

- HRM collecting same commercial tax as they were, but some tax zones are collecting less
- According to the commercial assessment averaging and timelines presentation (May 4th, 2021), First tax bill to be issue using assessment averaging for Fall 2021.
- Staff will return to Council in fall 2021 with a supplementary report focusing on commercial taxation options, including a definition of small business and the small business analysis requested on February 9, 2021.