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FOR IMMEDIATE RELEASE

DEATH AND TAXES

Nova Scotia Welcomes 2016

On January 8th property owners in Nova Scotia received their annual Assessment Notices. They allocate the burden of municipal spending between taxpayers. They were not good news for owners of commercial and rental property. In a province with a shrinking population and an economy heading into recession, property assessments increased again.

Apartment assessments jumped by an average of 5.9% (6.2% in HRM) despite the fact that rental increases are not keeping pace with inflation. Over the past five years apartment assessments have increased by an average of 29.2% (30.3% in HRM). Yet 61% of all residential accounts in the province are “capped”; assessment increases are limited to the inflation rate. This was probably a well intentioned attempt by the province to impose fiscal responsibility at the municipal level. However its impact is to remove $9.4 billion of assessment province wide. Part of this taxation shortfall is shifted to commercial and apartment property owners (including their tenants) … and to the owners of “uncapped” residential properties, often young couples, the very generation the province needs to retain.

Office assessments actually increased in HRM despite the fact that vacancy is at an all time high in the Central Business District. On average office assessments have increased by 22.9% in HRM over the past five years (21.4% throughout the province). And in an economy heading into recession, industrial assessments also increased in HRM … a 27.8% increase over the past five years. Part of the problem is the practice of basing assessments on values two years prior to the assessment year instead of the current year. This penalises commercial property owners … if the economy contracts their assessments continue to increase. When they finally exit a recession most owners fail to realise that rising property values do not preclude a successful appeal. In 2017, PVSC, the provincial assessment authority intend to move its “base” valuation date forward one year, leaving Nova Scotians to lag their fellow Maritimers by twelve months instead of twenty four.

The major taxation issue though is often municipal spending, PVSC are just the messenger. As commercial assessments rise tax rates should fall commensurately, but the temptation is too great. Our studies show that municipal expectations expand to take advantage of their taxation capacity, as the present drama in St. John’s demonstrates. More than 60% of municipal expenditures are appropriated for employee compensation, funding salaries and pension benefits well beyond the reach of ordinary taxpayers.

Municipalities are required to produce annual budgets that are revenue neutral. However, in recent years tax bills have continued to increase, largely due to rising assessments. In the interest of transparency, full fiscal disclosure, and accountability, Municipalities should be required to include the “revenue-neutral” tax rate on tax bills. So when property assessments rise, tax rates should show a commensurate decrease … or be recorded on the bill as a tax increase.

Turner Drake & Partners Ltd. is a multi-disciplinary firm of real estate consultants offering valuation, property tax, counselling, economic intelligence, planning and Lasercad® space measurement advice, throughout Atlantic Canada; together with brokerage (sales and leasing) services in Nova Scotia, New Brunswick and Prince Edward Island.

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