

Tax Reform- Public Participation

Staff Presentation to Tax Reform Committee

February 8, 2007



Outline

- Role of Public Participation
- Tax Reform Decision Stages
 - Principles, Foundations, Goals, Tools
- Sample Tax Reform Packages
- Options for Consultations

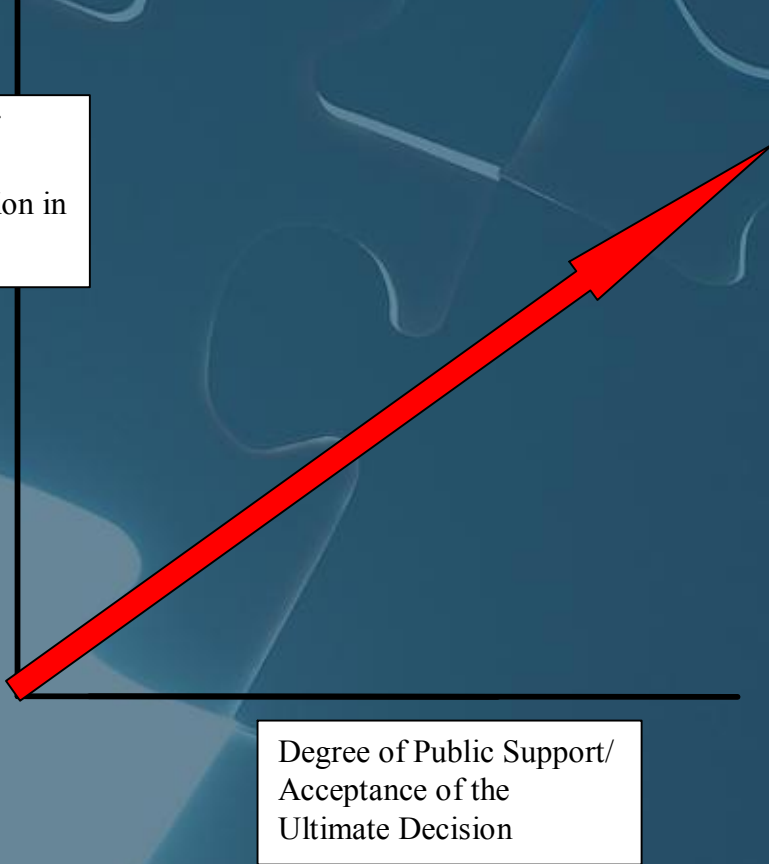


What is Public Participation

- Public participation is any process that involves the public in **problem-solving or decision-making** and uses public input to **make decisions** (International Association for Public Participation (IAP2)).

How Important Is Public Participation?

- As participation increases, public support for the decision increases (IAP2)
- Decisions that are widely supported by the public tend to be sustainable (IAP2)



Degree of Public Participation in Decision

Degree of Public Support/
Acceptance of the
Ultimate Decision



Tax Reform Decision Stages

Principles of a well
designed tax system



Foundations of the tax
system



Goals of the tax
system



Tools for Taxation



Tax Reform-Principles

- **Principles**

- *Stability*
- *Transparency*
- *Equity*
 - *Consistency*
- *Competitiveness*
- *Simplicity*

- **Other Principles**

- *Balance*
- *Broad Based*
- *Intergovernmental Linkages*
- *Adequacy*
- *Efficiency*



Tax Reform-Foundations

- Why do we tax people the way we do?
- What should the tax system be based on?
 - Based on Ability to Pay?
 - Based on Services?
 - Cost of providing services
 - Availability of services
 - Combination of both?
 - Use of Low Income Tax Relief (eg circuit breakers)
 - Other?

59% support an
“ability to pay”
system.

77% support a
system based on
“services”.



Tax Reform-Goals

- How do we wish to use the “Foundations” to calculate Taxes?
- What behaviours do we wish to encourage or discourage?
- How does the tax system support HRM’s corporate objectives?



Tax Reform-Tools

- **Market Value Assessment:**
 - Maximum Tax, Assessment Cap, Temporary Tax Credit, Circuit Breakers and Income Relief.
- **Modified Assessment:**
 - Value on Buildings and Structures, Standard Cost for Land, Cap Land Values, Acquisition Value, Freeze Assessment.
- **New or Swapped Tax Powers:**
 - Sales, income, fuel, liquor tax, Higher Provincial Grants and Lower Property Taxes.
- **New/Increased User Fees:**
 - Solid Waste, Roads, Recreation and other fees.
- **Dwelling Unit and Other charges:**
 - Minimum Tax , Dwelling Unit Charges, Per Property Charges, Acreage Charges, Frontage Charges, Poll Tax, Tax Based on Square Footage of buildings.

Approaches to Public Consultations

| Stages of Process | Approach A | Approach B | Approach C | Approach D |
|------------------------------|------------|------------|------------|----------------------|
| Principles | Consult | Committee | Committee | Committee |
| Foundations | Consult | Consult | Committee | Committee |
| Goals | Consult | Consult | Committee | Committee |
| Tools | Consult | Consult | Consult | Committee Consult |
| Level of Public Consultation | | | | |



Approach A- Consult at all levels

- **Pros**

- The public feels engaged and involved from the onset of the project.

- **Cons**

- Principles may not be contentious.
- Some individuals will find this frustrating and difficult to follow.
- Time consuming.



Approach B- Consult on Foundation, Goals and Tools

- **Pros**

- The public feels engaged and has the ability to influence key decisions that will guide HRM's taxation system.
- Process allows for buy-in of Foundation.
- Easier to focus on tools later.

- **Cons**

- Some individuals will find this frustrating and difficult to follow.
- People will want to debate tax options.
- Time consuming at start.



Approach C- Consult only on Tax Tools

- **Pros**

- Can be completed in a timely manner.
- Able to consult the public on tangible options.

- **Cons**

- Public may disagree with Foundations chosen.
- Involving the public late in the process.
- Public may feel the decision has already been made, and the consultation is just a formality.
- Public doesn't feel ownership over the decisions made.
- Risk the process may derail, fail or have to backtrack..
- Individuals may focus on specific impacts on their properties, not the principles or foundations.



Approach D- Consult at End

- **Pros**

- Could be completed in a timely manner.

- **Cons**

- Public would have little or no formal input into the new system.
- Perceived as a formality.
- Public doesn't feel ownership towards the decisions made.
- Risk the process may derail, fail or have to backtrack..
- Individuals may focus on specific impacts on their properties, not the principles or foundations.

Sample Tax Reform Packages

| Stages of Process | Package 1 | Package 2 | Package 3 | Package 4 | Package 5 | Package 6 | Package 7 |
|--------------------|--|--|--|---|--|---|---|
| Principles | Transparency, Equity, Stability, Competitiveness, Simplicity | Transparency, Equity, Stability, Competitiveness, Simplicity | Transparency, Equity, Stability, Competitiveness, Simplicity | Transparency, Equity, Stability, Competitiveness, Simplicity | Transparency, Equity, Stability, Competitiveness, Simplicity | Transparency, Equity, Stability, Competitiveness, Simplicity | Transparency, Equity, Stability, Competitiveness, Simplicity |
| Foundations | Ability to Pay | Ability to Pay | Service Based/ Ability to Pay | Service Based/ Ability to Pay | Service Based (Availability) | Service Based (Cost) | Service Based (Cost) |
| Goals | Taxes levied according to income | Taxes capped according to income | Reduce impact of assessment changes. Taxes capped according to income. | Local Services levied by access. Taxes capped according to income. | Based on Availability of Services | Based on Partial Cost of Services. Behaviour reflects "Cost Drivers". | Based on Full Cost of Services. |
| Tools | Municipal Income Tax | Assessment but with a Circuit Breaker | Dwelling unit charge 10%, Assessment charge for 90%. Circuit Breaker used. | Frontage charge for road services, dwelling unit charge for other services. Circuit Breaker used. | User Fees, Frontage, Dwelling Charges, Other | User Fees, Frontage, Dwelling Charges, Other | User Fees, Frontage, Dwelling Charges, Other. Change commercial weightings. |

Many Other Packages and Variants exist



Key Points on Sample Packages

- **Principles** are the same – may not be a source of debate.
- **Foundations** – Two key directions:
 - Ability to Pay vs Services (Cost/Availability)
- **Tools** – Highly contentious
 - Some tools require more debate/buy-in.
 - Many will want to debate tools without agreeing on Foundations or goals.
 - Tools could be used to accomplish opposing goals.
 - At this stage individuals want to know the “impact” on their homes.
- **Evaluation Criteria** – Required to assess the packages.



Options for Consultations

- **Option 1** – Public Determines Foundation
 - Spring Consultations – Determine Foundation.
 - Fall Consultations – Present Full Package(s) with option(s) for Tools.
- **Option 2** – Public Confirms Foundation
 - Present range of Packages in Fall, based on several Foundations and option(s) for Tools.
- **Option 3** – Committee Determines Foundation
 - Present Package(s) in Fall, based on only one Foundation and option(s) for Tools.