

# HALIFAX

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**Item No. 10.1**  
**Halifax Regional Council**  
**December 14, 2021**  
**January 11, 2022**

**TO:** Mayor Savage and Members of Halifax Regional Council

**SUBMITTED BY:** Original Signed by   
Jacques Dubé, Chief Administrative Officer

**DATE:** November 16, 2021

**SUBJECT:** Small Business Definition and Commercial Taxation Options

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## **ORIGIN**

February 9, 2021, Halifax Regional Council motion (Item 12.1):

MOVED by Councillor Russell, seconded by Deputy Mayor Outhit

THAT Halifax Regional Council request a staff report on for presentation to Council by September 2021, that defines what a "small business" is for the purpose of taxation, and includes such factors as:

- A cross-jurisdictional scan of similar municipalities across Canada
- Home-operated businesses
- Businesses that own their own property
- Tenant businesses that are in a leased space
- The number of employees and
- Gross revenue or income

This definition should focus on those businesses that pay property tax and should recognize that some small businesses, such as tenant businesses operating in a leased space, may not fit under this definition.

MOTION PUT AND PASSED.

May 4, 2021, Halifax Regional Council motion (Item 11.1.2):

MOVED by Councillor Mason, seconded by Deputy Mayor Outhit

THAT Halifax Regional Council direct the Chief Administrative Officer to:

3. Return to Halifax Regional Council with a jurisdictional scan of Canadian municipalities, an analysis of small business definitions and a review of commercial taxation options – including the five-zone, four-tier commercial tax rate structure – in fall 2021.

MOTION PUT AND PASSED UNANIMOUSLY.

## **LEGISLATIVE AUTHORITY**

*Halifax Regional Municipality Charter*

**RECOMMENDATIONS ON PAGE 2**

**Tax rates**

- 94 (2) The Council may
- (a) set different commercial tax rates for commercial property located in areas of the Municipality designated by Council, based on the assessment of commercial property under the *Assessment Act*;
  - (b) set different commercial tax rates for commercial property located in areas of the Municipality designated by Council, based on the length or proportion of frontage of a property on a street, including a private road;
  - (c) set different commercial tax rates for commercial property located in areas of the Municipality designated by Council, based on the number of square metres in a property, the number of square metres in all commercial buildings on a property, or the combined number of square metres in a property and all commercial buildings on that property;
  - (d) set additional tiered or escalating commercial tax rates based on the factors set out in clauses (a) to (c) that are in excess of the rates set in clauses (a) to (c);
  - (e) set additional or different commercial tax rates using any combination of clauses (a) to (d).

**RECOMMENDATION**

It is recommended that Halifax Regional Council direct the Chief Administrative Officer to:

- 1) Draft an administrative order to implement the Tiered Tax Relief for Small Properties (Option 2), as described in the Discussion section of this report, effective with the commencement of the 2023/24 fiscal year, and return to Council with the resulting draft for its consideration; and,
- 2) Review the program following the 2023 final tax bill and report back to Council.

**EXECUTIVE SUMMARY**

Developing a commercial property tax system with taxation based on business revenue or number of employees is not possible on a system-wide level due to current legislation, limited access to data and inability to link revenue or employees to specific properties. Assuming legislation was amended, a limited application-based program may be possible; however, data verification would remain a significant risk.

Of the multitude of small business taxation options considered by staff and Regional Council since 2015, three options could be considered:

1. Tax Relief to BID areas that have taxes above the BID average
2. Tiered Tax Relief for Small Properties
3. Tiered Tax Relief combined with Tax Zones

Of these three options, Option 2 providing Tiered Tax Relief to Small Properties is recommended. It has a positive impact on highly-taxed small properties, is relatively straight-forward to communicate to property owners and is least likely to lead to unintended consequences.

**BACKGROUND**

Staff reports and research have been provided to Regional Council since 2015 when a comprehensive report was completed on different tax options for “small” businesses. The report was a culmination of business and industry surveys, literature reviews and independent analysis of different potential tax adjustments. The report outlined how commercial property tax works and the significant differences

between small businesses (companies) and small properties (their physical presence). The report can be found at the following link: <http://legacycontent.halifax.ca/council/agendasc/documents/151110cow4.pdf>

Key conclusions of the 2015 report were as follows:

- Most businesses lease or rent their premises, paying commercial tax through their monthly rents. Others which own their properties, often own multiple properties. There are substantial differences between the price and value of commercial and residential structures due to the volatility in usage and changing demands on the commercial side.
- While HRM has access to extensive data on tax and assessment, it has no data on which businesses may or may not be affiliated with each other or whether a specific property is owned or leased by a certain type of corporate entity. This makes it difficult to effectively administer any tax at the business level.
- HRM cannot regulate that tax savings be passed on via lower rents, this is dependent on the tenant and landlord agreement/relationship.
- Higher tax burdens are not limited to one specific area and are not concentrated by geography per se. While urban economic theory stipulates the closer to the Central Business District (CBD) a property is, the higher land values will be, this does not translate directly to tax per square foot of commercial space.
- Predictability is the most common issue for commercial tenants/owners. Tax bill volatility creates difficulty and uncertainty in profit forecasting and business model adjustments.
- The report concluded that budget-neutral changes, would be unlikely to enhance regional competitiveness.

Regional Council then passed a motion requesting legislative changes that would increase predictability for taxpayers through changes in assessment, and “greater legislative authority in setting taxes and charges” including over categories and size of business, buildings, structures and in different areas of the municipality.

An exhaustive list of 15 tax options can be found in Attachment 3 (pages 18 to 25) of the November 10, 2015 report here: <http://legacycontent.halifax.ca/council/agendasc/documents/151110cow4.pdf>

In response to Council’s requests and legislative changes a multitude of options have been suggested and modeled since 2015. In the most recent [policy option report](#) presented June 25, 2019, staff focused on five alternatives for tax relief that had been discussed during stakeholder meetings in 2018 and 2019.

1. **BID Tax Rate** – This option would create a separate tax rate for Business Improvement Districts (BIDs) that is 10% lower than the general tax rates. Key impacts are:
  - BID taxes would decline 7.5% while taxes outside the BID areas would rise by 2.5%;
  - Any small businesses outside the BID area would see higher taxes;
  - Inequities would exist between those in the BID and those outside the BID, these would be more serious if businesses are in the same neighborhood or are direct competitors;
  - BID boundaries were not created for taxation purposes and some areas of the municipality may wish to establish BIDs to acquire lower taxes;
  - Current BID tax levels range from below average (\$1.88 per square foot) to above average (\$4.68 per square foot). This means any shift in taxes would lead to low tax areas of the municipality receiving tax relief while higher taxed areas that are outside a BID would see their taxes rise.

2. **Centres/Corridors** – This option would create a separate tax rate for the Centres/Corridors that is 10% lower than the general tax rates. Key impacts are:
  - Taxes in the Centre/Corridor areas would decline 9.6%, while taxes elsewhere would rise by 0.6%;
  - Any small businesses outside the area would see higher taxes, including those that border on the Centre/Corridor areas;
  - Inequities would exist between those in the Centres/Corridors and those outside. Small business outside the area would pay higher taxes to support those inside the Centres/Corridors, even if the latter were not small business;
  - While average taxation in the Centres/Corridors can be significant, other areas of the municipality can also have significant tax levels. Due to the multitude of planning rules, other areas could not be as easily added to the tax relief.
  
3. **Tax Relief to Highest Taxed BIDs** – Reduce taxes on any BID that has taxes 20% above the average. Key impacts are:
  - Taxes in Spring Garden BID would decline by 20.7% and in the Downtown BID by 2.9%. (Any BID would be eligible for relief if its taxes rose). Taxes elsewhere would rise by 1.2%.
  - Any small businesses outside those 2 BID areas would see higher taxes;
  - Provides relief to highly taxes areas, although many of those receiving tax relief may not be small businesses.
  
4. **Five Tax Zones** – Divide HRM into five commercial tax zones, each with its own tax rate. Provide a reduced rate for urban areas (outside the Central Business District) and a higher tax rate for Business Parks:
  - Taxes in the Urban area would decline by 2% while taxes in the Business Parks would increase by 8%.
  - Any small businesses in the Business Park would see higher taxes.
  - Conceptually this supports downtown businesses by creating a ten percent tax differential. However, the actual benefit to urban areas (2%) is small. The much higher taxes on the business parks could create distortions and unintended consequences without making the region more competitive.
  
5. **Multiple Tax Rates** – Levy tiered rates on assessment so that the entire assessed value of a business is not taxed at one rate.

Using multiple rates, the same tax rates would apply to all business. Unlike other options there would be no geographic restriction or distortion. This approach would be effective at targeting high-tax small properties with roughly 70% of those properties benefiting. However, only 10% of small properties are high-tax and many small properties that lease could face higher tax bills.

Taken as a whole, none of the above options address the core business concern of predictability. These options act as redistributive measures to alter the tax burden between commercial properties based on certain criteria.

On September 1, 2020, staff submitted a requested [information report](#) to Regional Council, which described a new tax structure option based on a combination of the five tax zones (Option 4 above) and multiple tiered tax rates (Option 5 above). Its features included:

- Five tax zones:
  - o Big Box
  - o High Density
  - o Small, Medium Enterprises (SME)
  - o Industrial
  - o Rural
  
- Four “tiered” assessment levels, with lower tax rates for the first three tiers and higher rates for Big Box, High Density and Industrial zone properties at the highest assessment level:
  - o \$0 to \$500K assessment (up to \$15K tax bill)
  - o \$500K to \$1M assessment (\$15K-\$30K tax bill)
  - o \$1M to \$2M assessment (\$30-60K tax bill)
  - o Above \$2M assessment (Over \$60K tax bill)

This report was discussed by the Community Planning and Economic Development Standing Committee on September 28, 2021. Additional analysis considered changing this option by not increasing the High-Density rate.

In January 2021 Regional Council requested a staff report on what defines what a "small business" for taxation, and includes such factors as:

- o A cross-jurisdictional scan of similar municipalities across Canada
- o Home-operated businesses
- o Businesses that own their own property
- o Tenant businesses that are in a leased space
- o The number of employees
- o Gross revenue or income

Staff advised Regional Council on May 4, 2021 that significant changes to the commercial tax structure should not take place prior to 2023/24, given the implementation of a new property tax billing system and new assessment averaging program in 2022/23.

While administering a program should be somewhat invisible, there are two key hurdles that HRM needs to overcome if it wants to successfully implement a tax reduction program to small business.

- First, it needs the legal authority under the Halifax Charter to provide the program. Without that authority, any targeting or administration becomes an academic exercise.
  
- Second, municipalities in Nova Scotia levy property tax on the owners of properties. The owner is billed irrespective of whether the owner occupies that building, i.e., operates a business in the building, or leases it to one or several other businesses. Municipal tax rolls list the legal name and address of the owner and the value of the property. The tax roll has no information on the business, its size, sales, staff, income or revenues. Hence, Municipalities are unable to determine from the assessment roll whether the property is owned or occupied by what might be classified a small business. To do this it must either link the assessment data to other databases or rely on definitions that focus solely on the data that is available in the assessment data base.

### Assessment Averaging

On May 4<sup>th</sup>, 2021 Regional Council endorsed a 3-year Assessment Averaging program, with by-law criteria to follow for implementation in 2022/23. Finance and legal staff are currently working on by-law design and will be bringing this forward for Council consideration in early 2022. The property tax billing system replacement is on-going and is being designed to facilitate Assessment Averaging. An overview and timeline for Commercial Assessment Averaging can be found at <https://www.halifax.ca/home-property/property-taxes/commercial-tax-policy/commercial-assessment-averaging-program>.

### DISCUSSION

Regional Council has expressed its desire to provide tax assistance to small business across the municipality, including “small and independent businesses in the central business district and main street and commercial corridors”. In order to create a successful tax reduction program that helps small business across the Region and generally makes the economy more competitive, staff have worked on roughly 20 different tax options. For each option, there is a need to identify two critical characteristics:

1. Who is the program targeted to assist and who will be disadvantaged by the program?
2. Can the municipality administer the program in a credible, efficient manner?

When targeting a specific program, it is important to define who should potentially benefit. Hence the definition of “small business” becomes critical in ensuring that the intended recipients benefit from the tax change and are not inadvertently disadvantaged. There are numerous possibilities for defining what is a small business including number of employees, income levels, revenues or compensation. In most cases HRM does not have the legal authority to tax based on these criteria. Nor is the required data easily available to be used to administer such programs. Industry, Science and Economic Development Canada information on the number of small businesses in Canada, based on number of employees, is included as Attachment 1.

Staff evaluated the various small business definitions based on legislative authority, data availability, and resource requirements. These results are summarized in Table One. All options, except the first two (assessment and square footage), require legislative changes. Pending legislative changes, the other options would likely require some form of application-based program with additional administrative costs.

Many of the common definitions for Small Business taxation mean that other metrics (than real property) need to be used. Thresholds for these definitions are based on criteria that might be found in income or other tax data or would be sought through an application process.

- 1) **Assessed Value:** HRM could define smaller properties, based on their commercial assessment amount, and use this as the basis to shape the tax structure. HRM has the legislative ability to set tax rates for different levels of assessment and has all the assessment data necessary for this option.
- 2) **Size (building square footage):** HRM could define smaller properties, based on the square footage of building area, and use this as the basis to shape the commercial tax structure. HRM has the legislative authority to tax based on square footage of all commercial buildings on the property, or the size of the property. Building square footage is currently available from PVSC for slightly more than 50% of commercial properties. However, square footage data would have to be available for all commercial properties to use it as the basis for commercial taxation. For taxation purposes, HRM would likely require higher data consistency than is currently in place.
- 3) **Land Use Category:** The Property Valuation Services Corporation (PVSC) categorizes each taxable property by “use”, e.g., hotel, grocery store, service station. There is no consistent small business category although some categories might be seen as a proxy for small business, e.g.,

Retail/Office, Dining, Animal Clinics. HRM does not have the legal authority to levy a small business tax rate by land use category.

- 4) **Net Income Threshold:** Under the *Income Tax Act*, if net income is below \$500,000 for a business, it is taxed at the small business rate for income tax purposes. Income tax forms do not list properties owned by a business so HRM would need to acquire the information through an application process. Regardless, HRM does not have the legal authority to use income levels as a basis for property tax rates.
- 5) **Revenue Threshold:** Revenue could theoretically be used as the definition for a property tax reduction program. However, Income tax forms do not list properties owned by a business so HRM would need to acquire the information through an application process. HRM does not have the legal authority to use revenue as a basis for property tax rates.
- 6) **Employment Threshold:** Employment numbers could be used as a metric to define small business. HRM would have to acquire the data through Employment Insurance forms or by separate application by the company. Rules would be required for part-time or seasonal staff. Regardless, HRM does not have the legal authority to use employment as a basis for property tax rates, except for the taxation agreement with Irving Shipbuilders Inc. under By-law T-1100, the *Taxation Agreement By-law*, which has specific legislation enabling it.
- 7) **Salaries/Wages Threshold:** HRM would have to acquire the data through Employment Insurance forms or by separate application by the company. Regardless, HRM does not have the legal authority to use employment as a basis for property tax rates.

**Table 1: Small Business Definitions and their use as Basis for Property Taxation**

Proposed Definition	Possible Target	Legislative Change Required	Availability of Data to Administer	Resources Required
1) Assessed Value	\$2,000,000	No	Data is available to administer the program.	No incremental resources required
2) Size (Square Footage)	5,000	No	Only 50% of property accounts have the required data. To use for any tax program a major data upgrade would be required.	No incremental resources required
3) Land Use Category (CMIC)	Specific Property Uses	Yes	More than 70 land use codes are applied to commercial accounts by PVSC. A review of the integrity of the data would be required.	No incremental resources required
4) Net Income Threshold	\$500k	Yes	HRM does not have access to the required data.  Income tax data includes the company name and their income but has no	At least 1 to 2 FTEs for application reviews

			information as to which properties they own.	
<b>5) Revenue Threshold</b>	\$500K	Yes	HRM does not have access to the required data.  Income tax data includes the company name and their revenues but has no information as to which properties they own.	At least 1 to 2 FTEs for application reviews
<b>6) Employment Threshold</b>	99 or fewer	Yes	HRM does not have access to the required data.  Employment numbers for a company may exist in Employment Insurance data but there would be no information as to which properties they own.	At least 1 to 2 FTEs for application reviews
<b>7) Salaries/Wages Threshold</b>	\$5,000,000	Yes	HRM does not have access to the required data.  Compensation numbers for a company may exist in Employment Insurance and income tax data but there would be no information as to which properties they own.	At least 1 to 2 FTEs for application reviews

The path for HRM in developing a program using criteria 3), 4), 5), 6) or 7) requires legislative change as well as designing application-based parameters and audit requirements. Even criteria 2) for square footage will require some time to work with others to standardize and universally collect square footage data. In conversations with provincial and other agencies, data availability is often not known and access remains uncertain. Assuming the required data could be obtained and legislative authority to use it for municipal taxation, the link to individual properties may pose the greatest challenge, i.e. trying to replace a property tax with a tax based on income or employment, for example. An application-based program may allow property owners to provide the details necessary to link income/employment to land and building, but that has its own limitations. Any application-based program should be set up such that data was both verifiable and consistent across all commercial properties applying. This is difficult due to varying data sources, i.e., businesses often own multiple companies, and there is no straight-forward way to audit or confirm the information provided. As will be seen below (in the jurisdictional scan), application-based programs have not been embraced by larger municipalities and tend to be used in jurisdictions with a limited number of known businesses.

### **Jurisdictional Scan of Provincial Legislation and Municipal Tax Policy**

Across Canada, very few municipalities have tax policies directed specifically at small businesses, although many are interested – demonstrated through their strategies and policy statements – in supporting small business. An extensive list of specific taxation policies and programs and related legislation and policies is included as Attachment 2. Staff found four examples that provide some guidance:

- In May 2021, Assessment Act regulations in Ontario were amended to allow municipalities to use a new (optional) Small Business assessment subclass. The determination of which properties would be placed in the subclass is left to each municipality to decide, although large industrial properties, parking lots and vacant land are ineligible. The rate reduction can be up to 35% of the municipal rate. Two major Ontario cities are planning to use the new subclass in 2022:
  - o In April 2021, Ottawa City Council approved a Small Business subclass framework, which led stakeholder consultations and a policy proposal to their Finance Committee in [October 2021](#). The City of Ottawa rejected using either number of employees or revenue. Rather it approved a 15% tax reduction to a “small business” class defined by a number of land use codes used by MPAC, Ontario’s Property Assessment organization. Details are found in the [by-law](#) approved October 13<sup>th</sup>. Higher tax rates on larger commercial properties will offset lost revenues from the new subclass.
  - o In February 2021, Toronto City Council directed staff to conduct the analysis, program design and stakeholder consultations for a prospective small business property tax subclass and in [November 2021](#), the Toronto City Council approved a plan to provide a 15% tax reduction in 2022 to “small businesses” in Toronto, based on their assessment values. The current tiered assessment rates will no longer be used. For most of the city, the total assessed value must be below \$1,000,000. However, in more expensive downtown and central corridor areas, the value can be up to \$7,000,000, but the land size of the property must be less than 7,500 square feet. Higher tax rates on larger commercial properties will offset lost revenues from the new commercial subclass.
- Winnipeg has a “Small Tenant Property Tax Exemption”. This exemption waives the Winnipeg equivalent of Business Occupancy Tax for tenants with an Annual Rental Value (commercial assessment) up to \$44,200 (in 2021). This threshold value is adjusted each year, as required, during budget deliberations. HRM no longer has a Business Occupancy Tax.
- In 2019, the Province of Alberta passed legislation to allow municipalities to adopt a commercial “sub-class” for taxation. Tax rates for this sub-class can be 25% lower than the standard commercial tax rate but the sub-class is limited to properties owned by businesses with fewer than 50 full time staff (nationally). Due to the administrative processes/burden involved in such an application-based program, the uptake has been limited to a handful of smaller communities (populations 6,000 to 12,000 people). Bonnyville, Clearwater and Taber have introduced such rates.

### **Viable Small Business Taxation Options**

Of the multitude of options reviewed (see Background section), staff would like to highlight three that have garnered the most interest with stakeholders and Regional Council, and could provide some assistance to small properties:

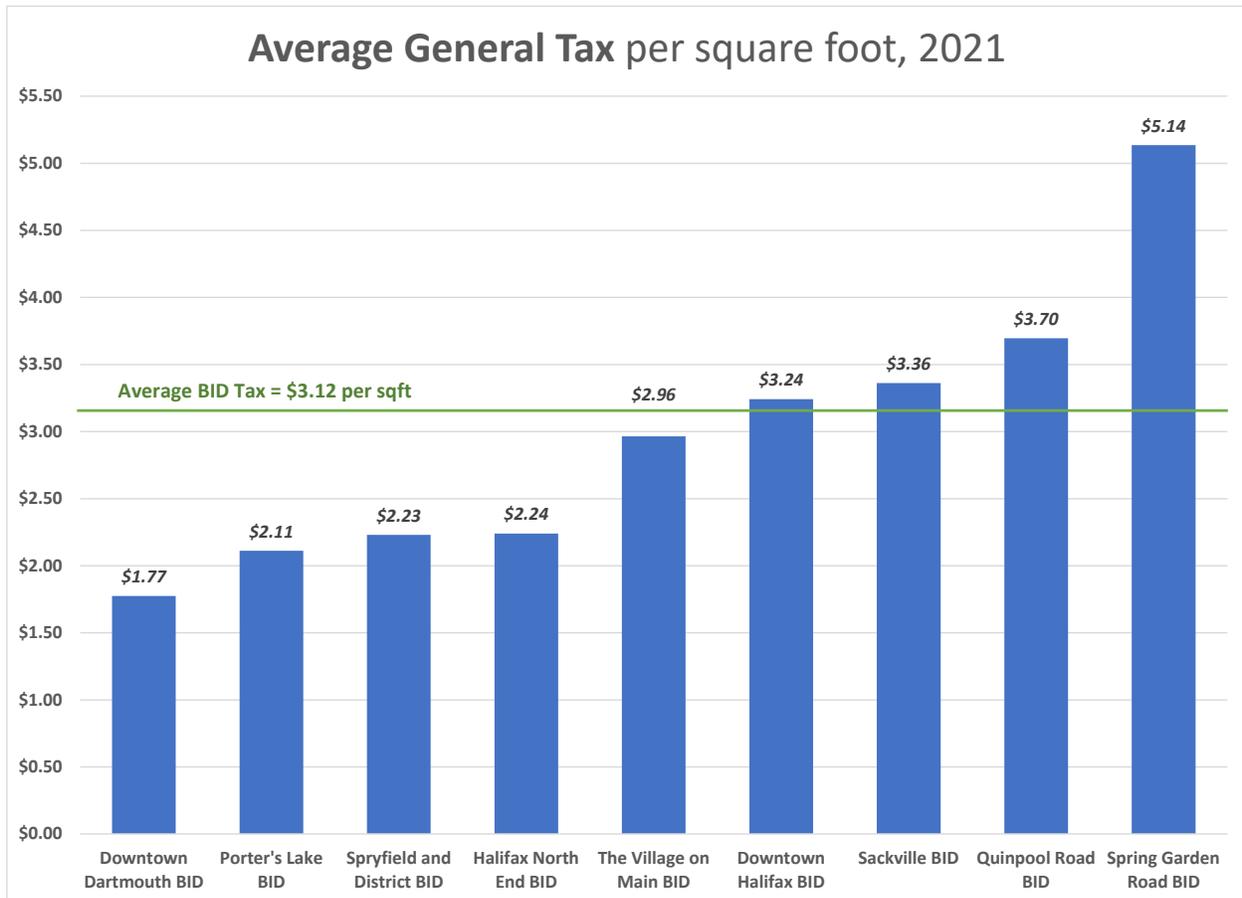
- 1) Tax Relief to BID areas that have taxes above the BID average;
- 2) Tiered Tax Relief for Small Properties;
- 3) Tiered Tax Relief combined with Tax Zones

All options are revenue neutral, i.e., they will not change total overall commercial tax revenues. The cost and tax rate implications of each option are identified.

**1) Tax Relief to BID areas that have taxes above BID average**

In some areas of the region, the higher value of land and the price of market rents has increased the property taxes on commercial properties. In many cases, these areas have a high proportion of small businesses and/or smaller commercial properties. By focusing in on the business improvement districts (BIDs), targeted tax relief could be provided to those areas with high commercial taxes.

Across BIDs there is substantial variation in the taxes paid by business. For instance, taxes paid per square foot in the Spring Garden BID are the highest of any BID and are nearly three times as substantial as those of the Downtown Dartmouth BID.



One possible option to provide tax relief would be to reduce BID tax amounts by 50% of the amount by which they exceed average commercial taxes amongst all BIDs based on assessed value. For example, Spring Garden Road BID has an average tax of \$5.14, which is \$2.02 over the BID average of \$3.12 per square foot. As such, it would be lowered by \$1.01 (50% of the 2.02), for a nearly 20% reduction in its tax rate. Based on 2021 assessment and square footage data, four BIDs would be eligible for a rate reduction.

**Table Two - Taxes by BID after Proposed Change**

BIDC	Tax per Square Foot	Current Tax Rate	Revised Tax Rate	Percent Change
Downtown Dartmouth	1.77	2.953	2.953	0.0%
Porter's Lake	2.11	2.616	2.616	0.0%
Spryfield and District	2.23	2.953	2.953	0.0%
North End	2.24	2.953	2.953	0.0%
Main Street Dartmouth	2.96	2.953	2.953	0.0%
Downtown Halifax	3.24	2.953	2.898	-1.9%
Sackville	3.36	2.953	2.848	-3.6%
Quinpool Road	3.70	2.953	2.722	-7.8%
Spring Garden Area	5.14	2.953	2.373	-19.6%

There are several pros and cons to this approach:

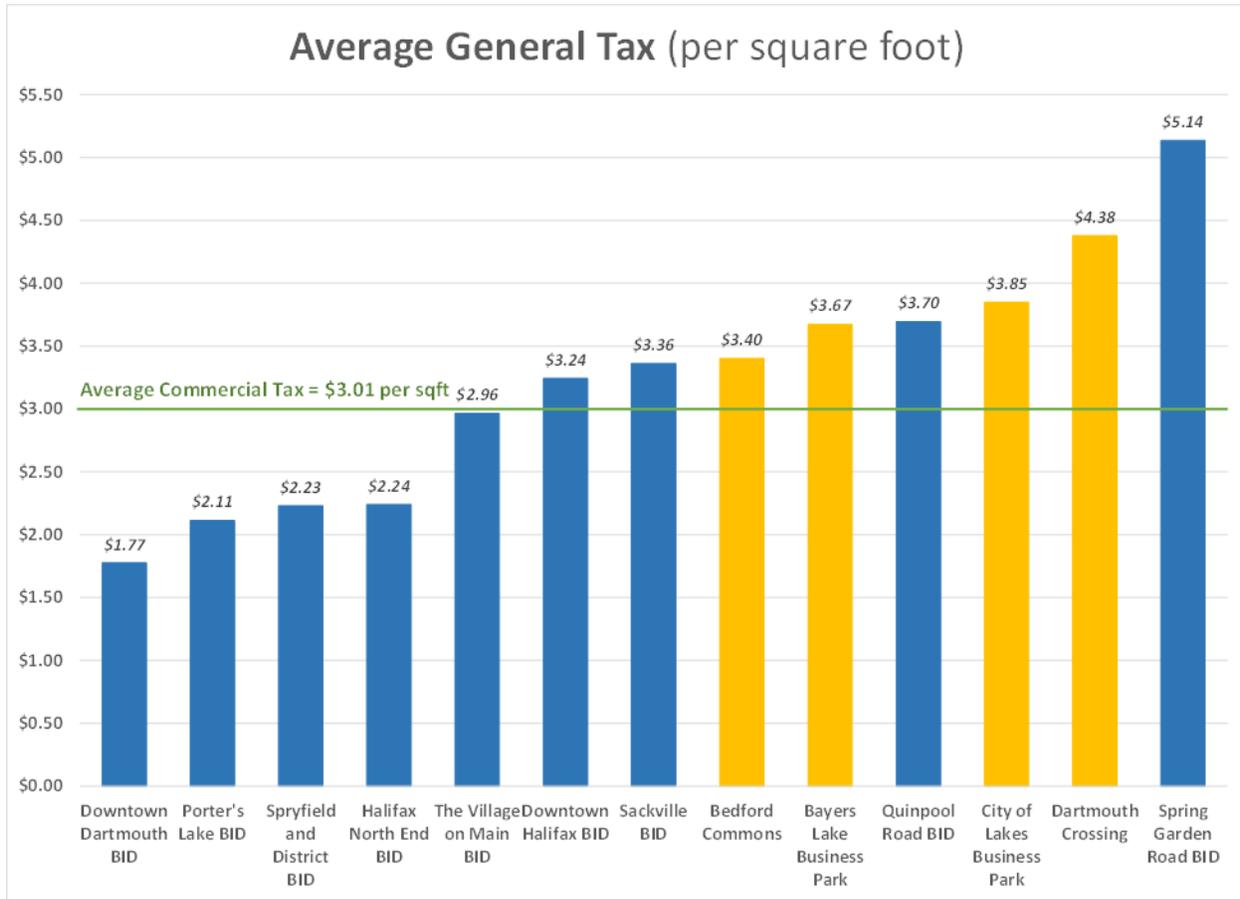
**Advantages:**

- Tax Relief would be provided to those businesses with the highest tax level, hence those that are most in need.
- There may be some potential for the owners of properties to pass any tax savings onto small businesses that lease through a triple-net lease.
- Eligible BIDs would change from year to year as average assessments rose and fell. This would protect BIDs from increases in tax bills but also introduces an element of unpredictability. For instance, sudden increases in the value of office towers within the Downtown Halifax BID could increase the cost of the program.
- Most of the BIDs are located in growth centres or main corridors that align with Centre Plan and Regional Plan mixed use areas.

**Disadvantages:**

- All businesses within the BID would be eligible for the relief, including large properties/businesses.
- Business outside of a BID would not be ineligible and would pay higher taxes to fund the relief.
- The cost of the proposal – \$2.2 million or 2.8 cents on the commercial general rate (for the scenario above) – would be passed along to all businesses including small business not in a high taxed BID.
- Could encourage the development of BIDs with sole purpose of a potential tax reduction.

For additional context, the average taxes of the nine BIDs are shown along with other commercial areas in the region. The average municipal taxes for each BID is shown in blue below, from lowest to highest. Included in the chart, the tax averages for the four “Business Park” commercial areas are shown in yellow.



## 2) Tiered Tax Relief for Small Properties

Based on property tax per square foot of building floor space, the highest taxed small commercial properties are typically those with assessed values between \$1,000,000 and \$2,000,000. Lowering taxes for this segment of the commercial assessment base could provide relief to those small properties that have the highest taxes.

**Table Three**  
**Tax Rates under Tiered Tax Rates**  
Example of a \$5M Property

	Assessment	Tax Rate	Change from \$2.953
First \$1M	1,000,000	<b>\$2.803</b>	15 cents down
Next \$1M	1,000,000	<b>\$2.653</b>	30 cents down
Additional \$	3,000,000	<b>\$3.103</b>	15 cents up
	<b>\$5,000,000</b>		

This option is based on assessment information and hence can be easily administered. It is similar to the former City of Toronto program but is targeted towards specific circumstances in Halifax. Under this program there would be three tiered rates in the Urban and Suburban areas. The first \$1 million of value would have a rate 15 cents lower the current commercial tax rate. Assessment between \$1 million and \$2

million would have a rate 30 cents lower the current commercial rate. Assessment over \$2 million would have a rate that is 15 cents higher than the current commercial tax rate. All commercial properties below \$5 million in assessed value (the breakeven point) would pay less than they do currently. Larger commercial properties (above \$5 million in assessed value) would pay extra taxes equal to their assessed value over \$5 million times 15 cents.

Creating this structure without an increase in the \$2M and up value of assessment (ie without the 15 cent increase) would cost the municipality \$6.5M in lost revenues.

There are several pros and cons to this approach:

**Advantages:**

- Tax rates drop as assessed value rises. This removes any disincentive for small firms that are growing, to relocate into medium size properties. More importantly, staff research has shown that small properties with commercial assessments in the \$1M to \$2M range appeared to be the most heavily burdened in terms of commercial property taxation.
- Tax Relief would apply to all small (low assessed value) properties in urban/suburban areas of the municipality. This would be seen as equitable.
- Properties in rural area would continue to have the lowest rate
- Relatively easy to communicate to property owners with consistent application across the region
- No additional data required beyond what is currently used for taxation purposes.
- New property tax billing software is being designed to allow this rate option.

**Disadvantages:**

- Favours smaller commercial properties over larger commercial properties. This may inadvertently discourage density and discourage smaller firms from relocating into larger structures.
- Not targeted directly to mixed-use growth centres as defined by Regional Plan.
- Larger properties, i.e. those assessed over \$5 million in assessed value, will see property taxes increase; may increase costs of small business leasing in large properties.

**3) Tiered Tax Relief combined with Tax Zones**

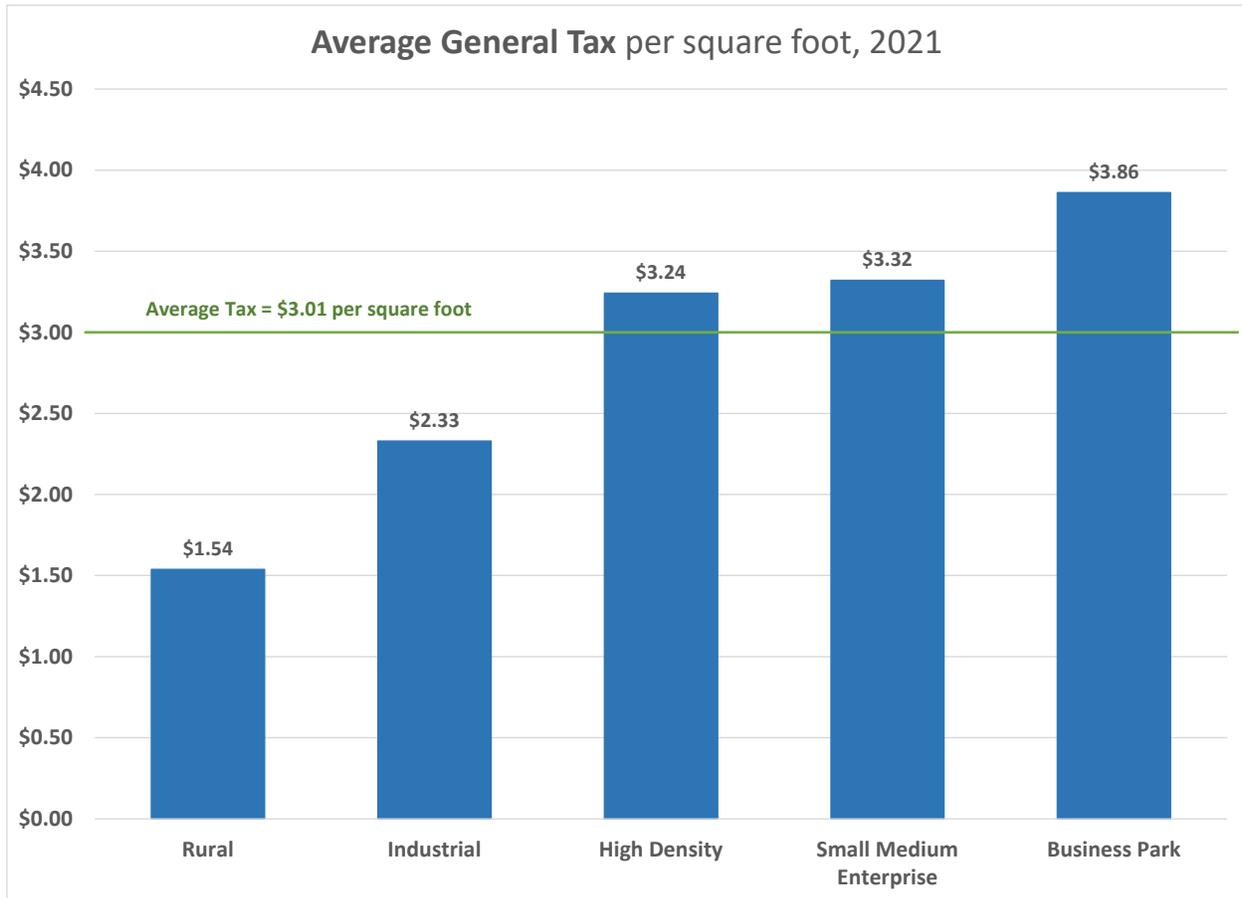
Finance staff have scoped out five potential commercial tax zones for discussion.  
The five zones are:

1. **High Density**, which reflects the area of the Downtown Halifax Business Improvement District,
2. **Business Parks**, with retail focus,
3. **Industrial**, covering industrial parks,
4. **Small-Medium Enterprise (SME)**, all commercial properties not in the other zones, and,
5. **Rural**, which includes all properties in the current “rural” general tax area.

This option uses boundaries for established business and industrial parks in the Halifax region as the starting point. Industrial or business parks that have predominantly retail and commercial office space and often include big box outlets are referred to as “Business Park” in this option. The remainder of business and industrial parks are classified as “Industrial.” In practice, however, most of the parks have a mix of uses – as well as a mix of sizes of businesses that own and lease properties in the parks. The planning rules allows that mix. One challenge in determining and maintaining boundaries for this taxation approach is that the economic conditions are changing and the types of properties in the specific business parks are likely to change, as well. HRM Planning is currently reviewing and updating the zoning for several of these parks.

As background for this option, 2021 average general rate taxes by square foot for each of the identified five zones are shown in blue, in the chart below. The average tax for all commercial properties (with square footage data) is indicated by the green horizontal line. Note that taxes in the Business Park are currently

higher than in the other four zones.



This five zone approach was combined with the tiered rates in reports provided to Regional Council September 1, 2020 and May 4, 2021. Since May 2021, the option has been simplified to three tiers (see below) and updated to reflect 2021 tax rates and include break-even assessment values. The “break even value” is the assessed value of a property that would receive the same tax bill with the current system and tiered/zoned system. Properties with values under the break even would pay less with the tiered/zoned system and those with assessed values above the break-even would pay more.

The rates by zone and tier are shown in Table 4. Note that in all zones, those with property values under \$2M have a lowered tax rate. (The exception is the Rural tax area which is unchanged). The key difference comes in the Business Park and Industrial areas where tax rates for any assessed value over \$2M have increased. In the case of the Industrial zone, the rate has increase from 2.953 to 3.103 for that portion of the assessment over \$2M. This means that any industrial property with a value over \$5M has a higher tax bill. Likewise, for the Business Park Zone any assessment over \$2M will see a rate increase from 2.953 to 3.513, an increase of 56 cents.

**Table Four**  
**Tax Rates under Five Zones with Tiered Tax Rates**

	Up to \$1M	\$1M to \$2M	Over \$2M
<b>Current</b> (Urban/Suburban)	<b>2.953</b>	<b>2.953</b>	<b>2.953</b>
Business Parks	<b>\$2.803</b>	<b>\$2.653</b>	<b>\$3.513</b>
High Density	<b>\$2.803</b>	<b>\$2.653</b>	<b>\$2.953</b>
Industrial	<b>\$2.803</b>	<b>\$2.653</b>	<b>\$3.103</b>
Small Medium Enterprise	<b>\$2.803</b>	<b>\$2.653</b>	<b>\$2.953</b>
Rural	<b>\$2.616</b>	<b>\$2.616</b>	<b>\$2.616</b>

For example, a property in the Business Park area with a value of \$2.8M would pay less tax on the first two million, but more tax on the next \$800,000. In total, it would pay the exact same tax bill at a value of \$2.8M (see Table 5). For every hundred dollars of assessment over \$2.8M it would pay an extra 56 cents. So, at \$3.8M it would pay an extra \$5,600.

**Table Five**  
**Taxes under Zones/Tiered Tax Rates for Business Park Firm**  
Example of a \$2.8M Property

	<u>Assessment</u>	<u>Current System</u>		<u>Proposed System</u>	
		<u>Tax Rate</u>	<u>Current Tax Bill</u>	<u>Tax Rate</u>	<u>Revised Tax Bill</u>
First \$1M	1,000,000	<b>\$2.953</b>	29,530	<b>\$2.803</b>	28,030
Next \$1M	1,000,000	<b>\$2.953</b>	29,530	<b>\$2.653</b>	26,530
Additional \$	<u>800,000</u>	<b>\$2.953</b>	<u>23,620</u>	<b>\$3.513</b>	<u>28,120</u>
	<b>\$2,800,000</b>		<b>\$82,680</b>		<b>\$82,680</b>

Amounts are rounded for simplicity

There are several pros and cons to this approach:

**Advantages:**

- Small properties across the Region have the same tax savings under this option as they do under tiered tax relief. The chief distinction under this approach is that the cost of that relief is borne solely by the Business Park and Industrial Zones but not by larger firms elsewhere in the municipality.

**Disadvantages:**

- Businesses in different parts of the municipality are pitted against each other for tax purposes. To the extent they are in direct competition with each other the system becomes inequitable.
- Industrial and Business Park boundaries are both historic and somewhat arbitrary and were not intended as tax boundaries; industrial and business parks have varied and evolving business uses.
- These changes make the existing property tax system more complex, resulting in reduced transparency and higher administrative costs. In total, the commercial tax structure will move from two general tax rates (Urban/Suburban and Rural) to six general tax rates dependent on a mix of property size and location.

### **Recommendations**

Each option has advantages and disadvantages. Selecting appropriate criteria for roughly 5,000 commercial properties is problematic as there is a wide range of business types and sizes and their individual business situations. There is also the risk that business will see the tax system unduly favouring their competitors. Creating commercial property tax incentives should not be taken lightly as there is potential for the economy and the business environment to be harmed through distortions and unintended consequences. All options have the potential to increase taxes for small businesses that lease, not own, their properties.

Option 1 (Tax Relief to BID areas that have taxes above BID average) has the advantage of providing tax relief to high tax areas. However, its criteria is based solely on BID boundaries and excludes other small businesses that may be high taxed. Likewise, Option 3 (Tiered Tax Relief combined with Tax Zones) depends on boundaries that are only loosely based on planning notions (ie Business Parks). Both Options 1 and 3 risk pitting areas of the municipality against each other without strong, underlying criteria. It is important to remember that commercial taxes are already considerable for all properties and all areas of the municipality. There is little evidence to support geographic based tax relief based on equity or size of business considerations.

Option 2, while not without risks, is the most viable approach to supporting small business within the municipality. It treats all small properties in a similar fashion with the same rate structure. As such, it is the most equitable approach. It also has the potential to provide tax relief to those small businesses that face high tax levels.

### **FINANCIAL IMPLICATIONS**

Tiered Tax Relief (Option 2) is revenue neutral. If approved, there would be no financial implications to municipal revenues. Implementation in 2023/24 could be accommodated within current staff resources.

### **RISK CONSIDERATION**

There is moderate risk that changes to commercial tax structure that include an increase in the number of rates or categories of properties will reduce transparency in the municipal property tax system and, possibly, lead to reduced public or business confidence in the property tax system. Improved communications and greater taxpayer education could help to reduce the impact.

### **COMMUNITY ENGAGEMENT**

Between January 2018 and into 2019, business owners and business representatives across the region met with HRM staff and participated in workshops to review and help refine the commercial taxation options provided to Regional Council in June 2019. Since then, staff have been in contact with Business Improvement District and other representatives, as well as The Halifax Partnership, on this issue.

### **ENVIRONMENTAL IMPLICATIONS**

No environmental implications were identified.

**ALTERNATIVES**

Regional Council could direct staff to consider either Tax Relief to BID areas that have taxes above BID average (Option 1) or Tiered Tax Relief combined with Tax Zones (Option 3).

**ATTACHMENTS**

Attachment 1 – Small Business by Size of Employment

Attachment 2 – Jurisdictional Scan of Provincial Legislation and Municipal Tax Policy

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A copy of this report can be obtained online at [halifax.ca](http://halifax.ca) or by contacting the Office of the Municipal Clerk at 902.490.4210.

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## Small Business by Size of Employment

Although it is common to hear someone speak of “small businesses” in a specific context and understand what they mean, there is no universal agreement on what a small business is. Each setting or organization often has its own definition. For example, Industry, Science and Economic Development Canada define businesses based on number of paid employees<sup>1</sup>. Based on its specific definition, a small business has between 1-99 employees, while medium businesses are defined as those with 100-499 employees and large above 500.

There is a wide range of firm sizes, both within and between goods and services producing sectors. Observers have noted the decline in manufacturing employment (goods) due to broad advances in productivity and outsourcing of lower value activities to emerging markets. The graphic below illustrates the concentration within both goods and service producing sectors. The full **Key Small Business Statistics - 2020** report is available here:

[https://www.ic.gc.ca/eic/site/061.nsf/vwapj/KSBS\\_2020-v2-ENG.pdf/\\$FILE/KSBS\\_2020-v2-ENG.pdf](https://www.ic.gc.ca/eic/site/061.nsf/vwapj/KSBS_2020-v2-ENG.pdf/$FILE/KSBS_2020-v2-ENG.pdf).

### Total private sector employment by province and business size, 2019

Province	Small businesses (1-99 employees)		Medium-sized businesses (100-499 employees)			Large businesses (500+ employees)		Total (thousands)
	Number (thousands)	%	Number (thousands)	%	% of SME employment	Number (thousands)	%	
Newfoundland and Labrador	108.6	77.1	23.8	16.9	94.0	8.4	6.0	140.9
Prince Edward Island	38.8	84.1	5.9	12.8	96.9	1.4	3.1	46.1
Nova Scotia	219.3	74.3	53.1	18.0	92.4	22.5	7.6	294.9
New Brunswick	159.6	70.1	48.8	21.4	91.6	19.2	8.4	227.6
Quebec	1,869.9	66.4	563.6	20.0	86.4	383.7	13.6	2,817.2
Ontario	3,156.7	64.9	1,044.2	21.5	86.4	662.5	13.6	4,863.4
Manitoba	282.8	70.5	77.9	19.4	89.9	40.4	10.1	401.2
Saskatchewan	264.8	78.9	50.3	15.0	93.9	20.4	6.1	335.5
Alberta	1,113.8	72.8	275.4	18.0	90.7	141.7	9.3	1,530.9
British Columbia	1,245.3	75.7	285.3	17.3	93.0	115.2	7.0	1,645.8
Canada	8,459.6	68.8	2,428.4	19.7	88.5	1,415.6	11.5	12,303.5

Note: Figures may not add up to totals because of rounding.  
Sources: Statistics Canada, *Labour Force Survey*; and ISED calculations.

<sup>1</sup> Self-employed workers include those with incorporated and unincorporated businesses that may or may not use paid help. "Indeterminate" businesses include self-employed and contract workers.

### **Jurisdictional Scan of Provincial Legislation and Municipal Tax Policy Highlighting differences from Nova Scotia Legislation and HRM Policies**

#### **Saint John's, NL**

##### **Taxation of Home-based Businesses**

If your business occupies less than 25 per cent of the area of your home, then you will not pay any Commercial Realty Tax and will pay 100 per cent Residential Realty Tax. If your business uses more than 25 per cent of the area of your home, it will be considered mixed use property and charged an appropriate percentage of Residential Realty and Commercial Realty Taxes. A Water Tax is also applied at the residential rate of \$615.00 per unit per annum.

##### **Commercial Tax Exemptions**

Registered charities which own their own building are exempt from Commercial Realty Tax and only pay the Water Tax on their property. Commercial property owners can claim a vacancy allowance if they lease to a registered charity. Commercial property owners can claim a vacancy allowance if they lease to a daycare. Daycares which own their own building can also claim an allowance.

#### **Moncton, NB**

Property assessments and property tax collection is carried out by are Service New Brunswick. Municipalities set annual tax rates for Residential and Non-Residential properties.

#### **Ottawa**

##### **Rebates for vacant commercial and industrial buildings only.**

Effective 2018, the City of Ottawa no longer provides a rebate program for property tax relief on vacant commercial and industrial buildings. However, a recalculation of the vacancy rebate may be required if the property receives a decision to adjust the assessed value or classification of a property.

#### **Toronto**

##### **Graduated (Tiered) Tax Rates (up to December 31, 2021)**

Graduated tax rates provide a lower tax rate for the first \$1 million of Current Value Assessment (CVA). Certain business types (parking lots, shopping centres, office towers) are excluded.

## Ontario

### Small Business Subclass

With their 2020 Budget, the Province of Ontario created an optional “Small Business” subclass for commercial properties, which is described in an Ontario Ministry of Finance [brief](#). In May 2021, Assessment Act regulations in Ontario were amended to allow municipalities to use a new (optional) Small Business assessment subclass. The determination of which properties would be placed in the subclass is left to each municipality to decide, although large industrial properties, parking lots and vacant land are ineligible. The rate reduction can be up to 35% of the municipal rate.

In April 2021, Ottawa City Council approved a Small Business subclass framework, which led stakeholder consultations and a policy proposal to their Finance Committee in [October 2021](#). The City of Ottawa approved a 15% tax reduction to a “small business” class defined by a number of land use codes used by MPAC, Ontario’s Property Assessment organization. Details are found in the [by-law](#) approved October 13<sup>th</sup>. Higher tax rates on larger commercial properties will offset lost revenues from the new subclass.

In February 2021, Toronto City Council directed staff to conduct the analysis, program design and stakeholder consultations for a prospective small business property tax subclass. In August 2021, the City held public consultation on the potential subclass. In [November 2021](#), the Toronto City Council approved a plan to provide a 15% tax reduction in 2022 to “small businesses” in Toronto, based on their assessment values. The current “tiered assessment” rates will no longer be used. For most of the city, the total assessed value must be below \$1,000,000. However, in more expensive downtown and central corridor areas, the value can be up to \$7,000,000, but the land size of the property must be less than 7,500 square feet. Higher tax rates on larger commercial properties will offset lost revenues from the new commercial subclass.

## Winnipeg

### Small Business Tax Credit

#### What is the Small Business Tax Credit (SBTC)?

The Small Business Tax Credit program has been established by City Council as a way to encourage small business development. Under the SBTC program, businesses with a business assessment (or Annual Rental Value) of \$44,200 or less in 2021 will receive an offsetting credit equal to their full business taxes for 2021.

#### How much business taxes will small businesses be eligible to save under the SBTC program?

Those businesses with a business assessment of \$44,200 or less will be eligible for the SBTC program. The 2021 business tax rate has been set at 4.84%; therefore, qualifying businesses may be eligible to receive a SBTC of up to around \$2,139.

#### How many "small businesses" will benefit from the SBTC program?

It is estimated that approximately 6,600 businesses (or 55% of all business tax accounts) will receive an offsetting SBTC thereby reducing their current year business taxes to zero.

## Frontage Levy

### What is a "frontage levy"?

Frontage levies can be best described as "special purpose" taxes. Subsection 432(1) of the City of Winnipeg Charter, enables City Council to pass a by-law imposing frontage taxes, which must be charged separately and apart from other taxes on your property. The Charter further outlines how the taxes may be used. Currently, the tax is calculated based on the extent to which a property fronts or abuts a street in which water mains or sewer mains have been placed (i.e. linear frontage measurement). The revenue collected is used for the upgrading, **repair, replacement and maintenance of City streets and sidewalks.**

Percentages of assessed value for the year 2002 and subsequent years:

Class	Percentage
Residential 1	45.0%
Residential 2	45.0%
Residential 3	45.0%
Farm Property	26.0%
Institutional	65.0%
Pipeline	50.0%
Railway	25.0%
Designated Recreational	10.0%
Other	65.0%

## Regina

### Provincial Percentage

A percentage established by the Province for each property class (see Property Class.) The assessment calculated following the Saskatchewan Assessment Manual is adjusted by this provincial percentage to arrive at the taxable assessment used to calculate your taxes:

Residential - 80%
Multi-unit Residential - 80%
Commercial and Industrial - 85%
Seasonal Residential - 80%
Elevators - 85%
Non-arable (Range) Land - 45%
Other Agricultural - 55%
Railway Rights of Way and Pipeline - 85%
Resource - 85%

### Mill Rate

The tax per dollar of assessed value of property. The rate is expressed in "mills", where one mill is one-tenth of a cent (\$0.001). Mill rates are set by each taxing authority to raise the revenue required by their budget.

#### Mill Rates for 2020:

	Municipal	Library	School
Residential	8.37161	0.74971	4.12
Condominium	8.37161	0.74971	4.12
Multi-Family	8.37161	0.74971	4.12
Agriculture	8.37161	0.74971	1.43
Commercial/Industrial	8.37161	0.74971	6.27
Golf Courses	8.37161	0.74971	6.27
Railway/Pipelines	8.37161	0.74971	6.27
Resource	8.37161	0.74971	9.68

### Mill Rate Factor

A mill rate factor is a tax policy tool used to redistribute the amount of total taxes paid by each property class and subclass. Changes to a mill rate factor will not increase or decrease the total amount of taxes collected annually by the Province, Regina Separate School Division, Regina Public Library Board or City.

#### Mill Rate Factors for 2020:

Residential	0.91152
Residential Condominium	0.91152
Multi-Family	0.91152
Commercial/Industrial	1.21040
Golf Courses	0.78654
Agricultural	1.21040
Railway/Pipelines	1.21040
Resource	1.21040

### Tax Phase-In

This is a tax policy tool used to phase in tax changes resulting from revaluation. Tax phase-in plans can be:

- up to four years
- different for each property class or subclass
- different for tax increases and decreases

Phase-in cannot be applied to changes in the tax rate resulting from the annual budget or changes to the property's assessment because of new construction, renovations or demolitions.

### Base Tax

Under the provincial legislation, Saskatchewan municipalities can adopt a base tax as one of their tax policies. A base tax can only be applied to municipal taxes; it does not change the calculation for the school and library portion of the tax bill.

$$\text{Base Tax} + [(\text{Taxable Assessment} \times \text{Municipal Mill Rate} \times \text{Mill Rate Factor}) \div 1000]$$

Implementing a base tax increases the property tax paid on lower-assessed properties and decreases the property tax paid on higher-assessed properties. A base tax does not increase or decrease the total taxes collected by the City.

### Minimum Tax

Under the provincial legislation, Saskatchewan municipalities can adopt a minimum tax as one of their tax policies. This is to establish a minimum amount of tax with respect to any property and can only be applied to municipal taxes.

$$\text{Municipal Taxes} = (\text{Taxable Assessment} \times \text{Municipal Mill Rate} \times \text{Mill Rate Factor}) \div 1000$$

If the above calculation is lower than the minimum tax, the minimum tax amount would be applied to the property. If the calculation is higher than the minimum tax, the calculated amount would be applied to the property.

### Special Tax (*similar to HRM Area Rate*)

A municipality may pass a special tax bylaw to raise revenue for a specific service or purpose. Public notice is required. The service or purpose must be completed within the taxation year.

Special taxes are added to the tax roll and collected with property taxes. A special tax can only be levied on a property that will benefit from the specific service or purpose stated in the bylaw.

## Calgary

Also, it appears that **Calgary** joined Vancouver, in 2017, as one of the few cities in Canada with a limit on commercial tax increases. Their approach is a little more straight-forward than Vancouver's with a fixed "cap" on tax increases (sounds similar to our residential authority) set initially at 5% then, more recently, at 10%. It is called the Municipal Non-Residential [Phased Tax Program](#) (PTP). I'm looking for more details on why it was put in place and how it is budgeted.

## Alberta

In 2017, Alberta has created a new "Small Business" subclass for commercial properties, which is described in a January 2020 **Edmonton** Tax Policy [discussion paper](#):

### **Small Business Subclass**

The small business subclass was introduced as the only new subclass available to all municipalities in Alberta through the MGA review. On first blush, a small business tax subclass may appear straightforward. However, defining what constitutes a small business is more challenging. Under the Matters Relating to Assessment subclasses Regulation, **small businesses are defined as having fewer than 50 fulltime employees** across Canada (or a lesser number set out in a municipal

bylaw). This is the only criteria set out within the regulation that would determine inclusion within the small business subclass – immediately, tax policy challenges emerge. Municipalities must determine how to confirm the number of employees working within a business at any given point in time and how often that number would be reviewed. If the incentive to be classified as a small business is sufficiently high, the City may unintentionally engage in market distortions. For example, business owners may move full-time staff to part-time contract work in order to meet the target threshold. In other cases, a global franchise or firm employing thousands may qualify as a small business if the individual franchise or firm only has 20 employees in Canada. Given its definition, as set by the Government of Alberta, this subclass is more likely to benefit a small law-firm grossing millions than an industrial business struggling to support its more than 50 staff. Without further ability to prescribe criteria, the functionality of this tool is thrown into question.

Council and Administration of the **Municipal District of Taber**, as a result of a revision to the Municipal Government Act, have divided the non-residential class into 3 sub-classes, defined in related regulations, as follows:

- Vacant non-residential property
- Small business property
- Other non-residential property

The new property assessment sub-class will provide property owners that have a non-residential assessment an opportunity to qualify their property annually for the Small business property sub-class. Each fall, Council will review next year's budget, and the opportunity to provide a possible reduced tax rate to the non-residential Small business property subclass in the upcoming tax year.

Due to amendments to the Municipal Government Act, Council and Administration of the **Municipal District of Bonnyville** created a non-residential property tax class, which became effective in 2018. The goal of this property tax class is to provide property owners, who previously paid a non-residential property tax levy, an opportunity to qualify for a reduced property tax rate. The 2020 Small Business Mill Rate is 20% below the Other Non-Residential rate.

In 2019, Alberta passed Bill 7, which allow much greater flexibility to municipalities to provide tax exemptions or deferrals to commercial properties, also described in the 2020 **Edmonton** Tax Policy discussion paper:

#### **BILL 7 – Property Tax Incentives**

Bill 7 was passed by the Government of Alberta in 2019 and significantly expanded a municipality's tax exemption and deferral powers. Before Bill 7, Council only had the authority to exempt non-profit organizations, and tax deferrals could only be granted on a one-off annual basis. Bill 7 now allows municipalities to partially or fully exempt for-profit non-residential properties or create ongoing tax deferrals for up to 15 consecutive years so long as it is "for the general benefit of the municipality".

Municipalities must carefully weigh the benefits of using this tool against the possibility of eroding their tax base. A tax decrease for one group of properties requires a tax increase for others. For this reason, clear and transparent justification should be presented to the public if any property type is considered eligible. A further caution: use of this tool to compete with other regional municipalities could trigger a race-to-the bottom, where each municipality competes to under-

tax the other. Alternatively, the region may consider developing a region-wide model, but the existing differential in rates makes finding an appropriate balance challenging.

In a similar fashion to other tax tools, developing appropriate definitions and clear tracking mechanisms, such as an application process, will be integral to successful implementation. In addition, any cost-benefit analysis that considers the use of this tool, no matter how it is used, must account for the added administrative costs to administer and maintain the program.

Finally, when considering the use of this tool, it should be asked to what extent will providing a property tax deferral or exemption influence business decisions. Non-residential property owners will always welcome a property tax reduction, but whether that reduction affects locational choice is a more difficult question. Economic and market factors are typically more significant drivers of business growth than a property tax reduction. In order to properly consider any use of Bill 7, Council should first know who is competing for the business, how does the competition's tax environment compare to its own when all things are considered, and what will be the impact of any proposed tax change on business decisions.

## Vancouver

All businesses in Vancouver require a license to operate. This ensure all business locations are safe and meet land-use requirements.

Business owners are required to get a business license, but not employees.

FYI, not too long after we were meeting with small business owners in Halifax (Jan-Oct'18), Vancouver was doing the same at their [Small Business Roundtable](#).

They have **moved from three-year “targeted” assessment averaging to five-year** assessment averaging (approved March 2019) and are currently pushing the BC provincial government to allow them to use “split assessments” for taxation. (What would the Lincoln Institute think?) See page 16 of their March 2020 [Taxation Averaging report](#) to Council.

I'll be contacting Vancouver to find out more about their Small Business work and their [“split assessment” proposal](#).

## British Columbia

### Municipal Revitalization Tax Exemptions

A municipal council may, by bylaw, exempt specific properties from municipal property value taxes for up to 10 years in order to encourage economic, social or environmental revitalization within a community.

A municipal council generally provides a revitalization tax exemption to targeted areas within the community or to targeted properties, activities or circumstances in order to economically, socially or environmentally revitalize an individual property or area of the municipality (for example, economically revitalizing a derelict neighbourhood).

Municipal revitalization tax exemptions do not trigger exemptions from school and other provincial property taxes (i.e. the exemption only applies to municipal taxes).

### Interim Business Property Tax Relief Exemption

Municipal councils may, by bylaw, exempt a portion of the assessed commercial value of specific properties from taxation where there have been significant increases in property taxes levied due to changes to the official community plan or zoning, or market trends, for example.

Municipalities may provide short-term property tax relief (through the 2024 tax year) to commercial property tenants responsible for property taxes, particularly small businesses, non-profits and arts and culture organizations.

In order to be eligible for the interim business property tax relief exemption, properties must be:

- Assessed in whole or in part as class 5 (light industry) or class 6 (business and other), and
- Have at least one commercial tenant responsible for all or a portion of the property taxes, the amount of which varies with the amount of tax imposed.

Municipalities must also set certain criteria thresholds:

- Base year (2015 or any year thereafter), to use as comparison to the current tax year,
- Percentage increase in assessed class 5 or 6 land value over base year. For example, the combined class 5 or 6 land value for 2020 must be X % higher than it was in 2015,
- Minimum land value percentage of total assessed value, for example, for the current tax year, the portion of the total assessed value of the property attributable to land must be X %, and
- Percentage of the exemption by property, area or kind, for example, all qualifying properties in neighbourhood Y receive a X % exemption

The exemption applies for both municipal and school tax purposes. Municipalities will determine annually which properties to exempt and to what extent.