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**From:** Hubbards Connolly [REDACTED]  
**Sent:** April 12, 2022 8:56 AM  
**To:** Office of the Legislative Counsel  
**Subject:** to present to Law Amendments Committee in writing - Re: BILL NO. 149 Financial Measures (2022) Act.

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April 12, 2022

TO THE Law Amendments Committee

This past week Elizabeth Smith-McCrossin MBA, BScN, Cumberland North MLA received an overwhelming number of calls and emails regarding the new Non-Resident Property Tax the Premier proposed in the Spring Budget. She said people are welcome to present at Law Amendments Committee virtually or in writing, which is the purpose of this letter.

I oppose part of BILL NO. 149 Financial Measures (2022) Act. The essence of this Measure is to apply a 2% tax on the assessed value of the taxable property owned by “non-residents” of Nova Scotia. Stated reasons for this punitive tax are to ensure people can afford a place to call home, to reduce the number of non-Nova Scotians buying houses for investment or other speculation purposes, and encourage properties owned by non-Nova Scotians to be offered for rent to Nova Scotians.

*With this Bill*, the Province segregates your rural communities and severely penalizes thousands of “non-residents” who enhance the Nova Scotia economy.

*With this Bill* rural “resident” Nova Scotia service providers lose some of their best customers.

*With this Bill*, you will drive away thousands of proud “non-resident” Nova Scotians, see dropping housing values as they sell their rural Nova Scotia houses and, instead of promoting “Canada’s Ocean Playground”, be openly criticizing how badly your government has treated them.

*With this Bill* you will see revenue from this punitive tax offset by a reduction in your Canada \$2.64 billion annual Equalization payment.

*Imagine* – this Bill will drive some of your biggest spenders out of the province and damage the rural Nova Scotian economy.

You don’t have to imagine it; you are doing it when you vote for this Bill.

Hollowing out of an important economic driver of the Nova Scotia economy would be the legacy of this bill.

I offer the following:

**One – It Mostly Hurts rural Nova Scotia**

Several rural members of the legislature need these new tax revenues for their communities.

Tourism employs over 39,000 people, and generates \$2.64 billion 2019 revenues (stat from Tourism NS). Nova Scotia's private and public entities have been making a significant and collective effort over the past decade to establish tourism as a key economic driver in Nova Scotia. Nova Scotia's economy depends enormously on tourism. These "non-resident" property owners, your guaranteed return visitors, invite their friends and relatives to visit Nova Scotia, and spend their money, primarily in rural areas.

"Non-resident" seasonal property owners contribute to the local economy in many ways:

- paying municipal, HST and gas and liquor taxes, even though they do not typically consume Nova Scotia health care or education systems;
- employing local contractors to build and renovate houses;
- buying local artwork;
- contributing to social, recreational, cultural, and other activity, which creates significant positive economic impacts throughout rural Nova Scotia.

Many projects in Nova Scotia may not have gone ahead without generous assistance from "non-residents". This Bill will siphon money away from "local" expenditure that benefits rural communities.

Most people plan and budget carefully for expenses, and this punitive tax means "non-residents" will make hard decisions about how and where to spend their money, cutting back on services, charitable donations, dinners out and discretionary spending to offset the new tax. Instead of it going directly to local business and the service industries, it will go into a City of Halifax revenue pot.

Punitive taxation in primarily rural Nova Scotia will drive away "non-resident" owners and potential buyers. If this punitive tax achieves its goals, the non-residents will sell and the province loses a large group of economic drivers. Has this impact been determined by the government of Nova Scotia? How do you explain to rural Nova Scotia business why Tim Houston thinks they should lose some of their best customers?

The province is encroaching into the municipal tax base with this direct provincial property tax. Your local municipalities will be hurt because real estate values and assessment values for properties outside of Halifax will probably fall. The Village of Chester says property tax room will be lost to municipalities that already rely heavily on property taxation and do not have authority to levy income or other more progressive taxes.

## **Two - Proposed Tax Does Not work**

The 2% punitive tax will be clawed back through reduction in your annual Canada Equalization payment from the federal government.

In 2021-22, Nova Scotia will receive over \$2.3 billion, paid for by taxation from other provinces. Over the last twenty years the province has received over \$8 billion because of the deficiency in tax capacity related to property in rural Nova Scotia (per Nova Scotians for Equalization Fairness). This punitive property tax will reduce that gap and also reduce your future Equalization payments. Your civil servants and advisors have given you bad advice.

## **Three - Divisive and Resentful Measure**

Many of the "non-residents" subject to this tax were born and raised in the province and return each year to nurture those roots and reconnect with family and friends. This punitive tax cries out: "We don't want you here anymore." It will upset the "non-resident" owners, their families, and many close friends in Nova Scotia.

These “non-residents” promote the province and all that it has to offer, drawing family and friends to come visit and enjoy “Canada’s Ocean Playground”. “Non-residents” coming to Nova Scotia are crucial and vitally important contributors to the economy of your province. And now you insult us with this tax.

When you apply a Nova Scotia tax only to “non-residents”, you go against the whole purpose and spirit of the Canada Equalization program.

#### **Four - A Better Solution to the Halifax City Housing Problem**

The housing crisis is concentrated in Halifax. Non-residents buy vacation homes in places with distinctive scenic or cultural offerings, not downtown Halifax. The inventory of available housing accommodation for sale in Halifax is severely restricted because many Halifax homeowners do NOT want put their house on the market because they would lose the benefit of their “capped” assessment.

A better solution to free up residential housing stock in the City of Halifax is to charge a fair tax to homeowners in the City, who pay far less than a “fair” tax. Property owners supposedly pay tax at 1.25% on their “assessed” value but, in reality, the effective rate is only about 0.55% of what the property can be sold for. “Non-residents” don’t get the “Cap”. What’s fair about charging “non-residents” 6 times the rate many “capped” Halifax homeowners pay?

“Capped Assessment” creates two classes of Halifax homeowners:

- Those who just bought a house pay tax on an assessment closer to current value, and
- Those with the "capped rate assessed value" pay tax on a (generally) 30%-43% artificially lowered property assessment value.

One recent example found in the south end of Halifax, a house with a 2022 assessed value of \$835,000 recently sold for \$1.9 million. As a result:

- The “selling” former owner paid about \$10,400 tax;
- The new owner pays \$13,600 tax;
- If the new owner were to pay based on what they just paid for the property (“fair value”), the 2022 tax would be \$23,800 (128% more than paid by the former owner).

What’s fair in that?

Tax all Halifax city houses with an assessment value that approximates current fair market value and let market forces solve the Halifax city housing problem.

#### **Five - To Reduce Property Speculation**

This punitive tax does not focus on real estate speculators and will not free up residential space. I see no basis for thinking “non-residents” are buying houses for investment or other speculation purposes. If you see that, tax that speculation, whether they be Canadian or foreign “non-residents” of Nova Scotia; but don’t carpet bomb all “non-resident” owners with a 2% annual tax.

#### **Six - To Encourage Properties Owned by Non-Nova Scotians to be Offered for Rent to Nova Scotians**

If this is the case, the proposed tax should not be applied to un-insulated seasonal buildings that are not inhabitable outside the summer season.

Yours sincerely,

