

**p.2** original motion stresses ability to pay (point c), so could be called on that;

**p.3** (second paragraph) “overwhelming support for service-based tax system”.

- what is meant by overwhelming? Numbers and means of weighing types of submissions are a minimum here, as well as some indication of the demographics/socio-economic status of respondents (e.g. I doubt that many students bothered to go, but while they are individually transient, there is always a sizeable number of them around)
  - o That is to say, the point is to figure out whether the support comes from a variety of people and entity, which are deemed representative of the whole, so that if only a few members of a relatively large group shows up, their views should be weighed more.
  - o In that vein, isn't the usual course of action to make all the submissions public, so that people outside the committee can double-check their stuff?
  - o This is of course quite apart from possible biases induced by the process itself, such as the way questions are asked, etc. which I am not able to comment on from the current report.

**P4.** “Large assessment increases almost always lead to large tax increases, yet often there is no or little change in municipal services.” [perpetuating common myth] [fished from Mike's comments]

- This is evidently bizarre... The money does not just disappear. The point is that people's taxes are more salient to them than what they receive for it. That's a general fact that is not confined to municipalities (e.g. people want lower income tax but more spending on healthcare... with what money !?). In other words, if you ask people, they will almost always respond that they don't see what they get for their money, but that does not mean that objectively services don't increase.
  - o The solution here seems rather to open the books of the municipality so that people can be made aware of what the money is spent on (including the salary of officials, often a big sticky point that is liable to increase cynicism... an attitude too often warranted), and do so in an intelligible fashion. No need to link every individual dollar with something... after all, one can't compartmentalise most services.
  - o Even better: Several municipalities have adopted a participatory approach to municipal budgeting, whereby citizens of each neighbourhood get to decide what is done with a portion of their tax money. That would be both empowering and would allow people to see where their money is going.

“Many individuals are on fixed incomes such as pensions. Their taxes rise with the value of their home. Their incomes aren't changing and they feel as if they are being pressured to sell” (and the second point on p.5)

- That is a very legitimate complaint, linked to the various problems arising with neighbourhood gentrification. The problem here actually linked with ability to pay (rare preoccupation in this report), as people can't really borrow against an increase in home value.
- However, rather than to go to service-based taxation, a solution could be to change the way properties are assessed. Instead of market value, why not go with “replacement value”, for example, i.e. how much does such a house cost to build, location premium aside? This could be coupled with a tax at the moment of change in ownership to account for the underlying potential for capital gain.
  - o Another way could be to use purchase price as a basis and then have an increase based on inflation rather than market value. Note that this puts implicitly a premium on neighbourhood stability.

- An even better way would be to make a deal with the province, as Mike suggests, and implicitly tax income rather than property (have the province tax income and transfer to the municipality).

**p.5** “Tax bills often come as a surprise. Unlike income tax (that is deducted off of regular pay cheques) or sales tax (that comes at the cash register), families find they are getting two big bills once a year. For many this makes planning difficult.”

- Not a strong argument – can be made easier by matching other planned bills, such as telephone or power.

Various citation that Halifax is not following the trend:

- Of course, this is not an argument in itself, but merely a basis for investigating the reasons why others are behaving differently. If that basis is found to apply to Halifax, then that becomes the argument, not the fact that they do it.
- In this specific instance: Tax changes in most of North America have been increasingly favouring the rich in the last few decade and the tax system has been made generally more regressive. Service-based taxation is part of that trend, in which the province of Nova Scotia figures prominently. I don't particularly see a need to join that trend because it is happening...
  - At the same time, the current way property is taxed is also regressive, as Mike says, but there are other solution. In addition to those already mentioned, one can think of capping property taxes on the basis of income, to decrease the regressive component. I figure that this should not be too hard to implement, if there is already an infrastructure to manage a low income rebate.

**p.6** The whole thing about getting services according to what one pays:

- The whole point of a system based on ability to pay is that this *not* be the case. Of course many people pay more, but that's all right!!! ... as long as it is really related to their ability to pay, of course. Therefore, this is not an argument in itself, unless we are ready to explicitly abandon the ability to pay principle.
  - The idea is not to link services and payments, but to have a city environment where the citizens (and visitors!) enjoy a good quality of life, a project in which everybody partakes... and for which they pitch in what they can. No?
- In addition, if you have a service-based system, a lot of services are likely to be undersupplied. For example, if one proposes to build a park and collect a certain sum from all prospective users, many poor people are likely to refuse to pay, jeopardising the project. Many richer citizens would, by contrast, have been happy to pay a little more than an equal share to see the park built, if what they pay remains a very small proportion of their income.

Regarding the in-built biases, they are probably right, but it would have been nice to have an exhaustive list of these biases to see if they could be addressed within a reform of the current system.

## Appendix 1.

Huh !? They use R-squared !? ... and that's it !?

Well, I have trouble commenting on an analysis where only the R-squared is reported, without any of the other statistical details. Issues which would have been pertinent to know are...

- What was their sample? Just Halifax Households or did they run it for the entire country?
- Did they adjust for general price levels in different locations (e.g. different cities if run on Canada as a whole, different municipal sub-divisions in Halifax)?
  - One possible issue: Given a specific average for an area, it is possible that there is a good correlation between the two, but if we include other areas, then the correlation

goes down across areas... (e.g. a big house in the country costs less than the same house on the peninsula).

- What is the statistical model used? This matters for the value of the R-squared...

Etc. etc.

Now, beyond my reservations with their stats, the two variables could be expected to diverge somewhat, especially in places with low turnover and high land speculation. Simply, their stats demonstration as it stands is not exactly strong evidence... and indeed, if they had made a more detailed effort, it could have shown areas in which the system could have been adjusted to take other factors into account.

## **Appendix 2**

I have trouble getting this argument, beyond my bias in favour of ability to pay... For example, richer households would not use transit anyway... but benefit from the lower congestion that a well-working transit system provides.

- The point is thus not the stops (which they don't need), but the lower amount of traffic along their way... but are we actually going to survey each household's driving habit?
- Moreover, every user of downtown benefits from a well-running transit system, whether they live there or not. Similarly, everybody uses the downtown, whether they live there or not... and commuters actually impose a cost on the residents of said downtown through fumes and congestion at peak hours. Talking of trends, some places like London now charge a fee when you commute downtown...

I could go on and on here, but my main point is that the definition of "service" presented in the report is really short-sighted, biased in favour of suburbs, and way too individualised, without regards to common goods.

## **Appendix 3**

By definition, a fee system is going to be regressive unless services are somehow exactly linked to people's income. But some stuff everybody uses (e.g. a driver's licence), and thus the fee applies to everybody, making the system regressive. I therefore don't know how they would juggle this one.

Of course, Mike's point about the commitment to progressivity being absent is also very important.

## **Appendix 4**

Coming back to the definition of benefits... Things like sidewalk will only benefit the people living there? I walk all over the peninsula... am I free-riding? Ditto with transit, roads, etc.

I also find interesting the list of things they want to keep in a common pool, given their logic. For example, one could surmise that wealthier household benefit much more from the deterrence of property crimes than others... Again, I don't think that it makes sense to go all-out on a service-based system, but I think this shows one can play a lot with the logic of it all...

Also, while I agree with the intent of including a bit of progressivity in the whole thing, I don't get the logic of the surtax on high-valued homes. Is house value a good metrics of ability to pay or not? Why not mirror the low-income tax rebate with a high income surtax (negative rebate, if constitutional issues arise)?