



STAFF REPORT

SUBMITTED BY: Chris Frotten & Leah d'Eon

DATE: February 21, 2020

SUBJECT: Deed Transfer Tax

ORIGIN

On November 6, 2017, Council approved the implementation of a 1.5% deed transfer tax. Since that time, there has been discussion on the use of the revenue generated by the tax and clarity is sought by Staff in order to properly prepare the upcoming budget and report our financial statements.

BACKGROUND

Discussion of a deed transfer tax began in 2015 and serious consideration for its implementation began in 2017. On July 17, 2017, CAO Rob Frost presented a report to Committee outlining the purpose of the tax, the current number of units in the province that had the tax and the reasons why it should be implemented in Barrington. In that report, CAO Frost did recommend to *“Implement a Deed Transfer Tax for the Municipality of 1.5% effective April 1, 2018. Allocate 75% of funds be used for capital projects, with the remaining 25% used to supplement operational costs.”* At that meeting, it was recommended to Council to proceed to adopt a Deed Transfer Tax at a rate of 1.5% and at the July 24, 2017 Regular Council Meeting, Council approved the tax and began the process of developing a by-law.

On August 21, 2017, CAO Frost presented a draft by-law to Committee and it was recommended to Council to proceed to first reading. On August 28, 2017, Council approved the first reading. Over the next 2 months, Committee and Council held public hearings and discussed at lengths the implementation of the tax. On November 6, 2017, Council approved the proposed Deed Transfer Tax By-law in second and final reading as attached.

DISCUSSION

Since its implementation, there has been discussion on the use of the revenue generated by the tax as some members understood that the revenue was intended to be earmarked for capital costs/projects related to recreation.

As this understanding would have a serious impact on our budget and financial reporting, we require direction from Council. For this reason, I decided to review the minutes of each meeting in which deed transfer was discussed from July 17, 2017 to November 6, 2017 and the video recordings of the Regular Council meetings and public hearings to determine whether there had been any amendment to the by-law or separate motion of Council earmarking the revenue for capital costs/projects related to recreation.

After completing my research, I can confirm that there were no official amendments made to the by-law or official motion of Council earmarking the revenue for this purpose, however, there were many occasions in which this purpose was raised and discussed.

Since this purpose was raised and discussed, I have outlined the budget implications and possible drawbacks of earmarking the revenue generated from this tax for this purpose in the sections below.

BUDGET IMPLICATIONS

The decision to earmark revenue generated from the deed transfer tax for capital costs/projects related to recreation would drastically alter our budgeting process and our financial capacity and reporting.

For example, we may, in any given year, not have enough capital costs/projects related to recreation to use all the budgeted revenue generated from the tax. That would require us to put the remaining amount in reserve which could cause us to run an operating deficit or require us to pull in operating reserves.

Additionally, the revenue budgeted to be generated from the tax is an estimate based on historical data but is not a guaranteed amount. Although we tend to budget conservatively, it could be possible to budget a set amount of revenue with a corresponding expenditure but finish the year with lower than expected revenue which would once again cause a deficit and require us to pull in reserves.

LEGAL IMPLICATIONS

N/A

PUBLIC CONSULTATION/COMMUNICATIONS

N/A

RECOMMENDATION

I believe that due to the numerous times the purpose was discussed, some members may have understood that the deed transfer tax would be used for capital projects related to recreation. In the 19/20 budget, we were able to match the deed transfer tax revenue to recreation capital projects due to the large number of recreation capital projects: recreation centre design, ball field fencing, arena upgrades and batting cages.

We were fortunate this year to be in a position to balance the budget while committing deed transfer tax revenue to capital costs/projects related to recreation. That, however, may not always be the case and seems unlikely in the coming years based on our financial forecasts.

In the draft 20/21 budget, there are only a few projects that may be considered a recreation capital project, and their costs would not match the deed transfer tax revenue. The construction of a new recreation facility is included in the budget; however, this will be funded through grants and debentures. If the deed transfer tax is earmarked for capital recreation projects, it will be necessary to pull funds from reserves to complete other projects for the upcoming fiscal year.

Finally, the definition of a “capital cost/project related to recreation” is vague and would be difficult to define precisely by Council and may be interpreted differently by Staff. The risk of confusion and disagreement would then arise which would be a problem.

For these reasons, Leah and I do not recommend earmarking the revenue generated from the deed transfer tax specifically for capital costs/projects related to recreation.

SUGGESTED MOTION

Move to direct staff to allocate revenue generated from the deed transfer tax to any capital costs/projects within a given fiscal year’s capital budget only if financially feasible and without impacting the net income of the budget.

ATTACHMENTS

- By-Law #39 - Deed Transfer Tax
- Deed Transfer Tax – July 17, 2017 Staff Report
- Press Release

**THE MUNICIPALITY OF
THE DISTRICT OF THE BARRINGTON**

**DEED TRANSFER TAX
BY-LAW NO. 39**

1. This By-Law is entitled the “Deed Transfer Tax By-Law”.
2. A Deed Transfer Tax applies in the Municipality on terms identified in the Municipal Government Act, SNS 1998, c.18, s. 101 - s. 110, or in successor legislation as may be enacted from time to time.
3. The rate of the Deed Transfer Tax in the Municipality of the District of Barrington is 1.5 (One point Five) percent of the value of the property transferred.
4. The Registrar of Deeds shall be the agent and collector of the Deed Transfer Tax for the Municipality of the District of Barrington.

Approved by Council November 6, 2017



Municipality of Barrington

Request for Decision from the Chief Administrative Officer

Date: July 2017

Topic: Deed Transfer Tax

Purpose of Request:

As one of only four Municipal units in NS that do not have a Deed Transfer Tax the Municipality of the District of Barrington is at a disadvantage. In order to cover all costs of operation and capital expenditures the Municipality has had to charge a higher tax rate for many years, which affects all taxpayers. Those Municipal units that currently have a deed transfer tax in place are able to offset some operational and capital costs through the collection of a deed transfer tax. It is also important to take into consideration that each time a property changes hands, the administration of the Municipality needs to make adjustments to tax accounts, and prepare documents for which we are not otherwise compensated.

There are currently 51 Municipalities in Nova Scotia, 47 of which have a deed transfer tax. Only the Town of Oxford, the Town of Kentville, the Municipality of the County of Kings, and the Municipality of the District of Barrington currently do not have a deed transfer tax.

Of the 47 Municipalities with a deed transfer tax, 3 have a deed transfer tax of 0.5%, 24 have a deed transfer tax of 1.0%, 4 have a deed transfer tax of 1.25%, and 16 have a deed transfer tax of 1.5%.

As can be seen in the attached table of sales over the past two years, and what would have been garnered had there been a deed transfer tax in place at the time, the Municipality could be receiving between \$6500 and \$23,000 per month depending on the rate, or stated another way, between \$80,000 and \$280,000 per year in deed transfer tax.

Considering the possible capital costs that will be faced in the near future, it would be prudent of council to seriously consider implementing a deed transfer tax that would offset capital costs without affecting general tax rates.

Recommendation 1:

Implement a Deed Transfer Tax for the Municipality of 1.5% effective April 1, 2018. Allocate 75% of funds be used for capital projects, with the remaining 25% used to supplement operational costs.

News Release - Deed Transfer Tax

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For immediate release:

Deed Transfer Tax

At the Municipality of the District of Barrington Council meeting held on November 6, 2017, Council gave second and final reading to the adoption of a Deed Transfer Tax By-law.

Council has been discussing many infrastructure projects over the past year and agreed that there was a need to generate additional revenue in order to complete future projects.

Councillors recently received an engineering report that suggests the Recreation Building should be replaced, and significant improvements made to all other Municipal Buildings. In addition to these projects, Council has also been discussing the addition of user facilities at some of our beaches, and the further development of commercial property now that all current lots have been sold in the business park.

Warden Nickerson stated, "Council held a public hearing, spoke with many citizens, and spent a lot of time on this discussion, and it was important to do so. At the end of the day, all of Council recognizes the need to continue to develop and maintain our assets. The Deed Transfer Tax will allow us to move on a number of projects that we have been putting off for too long."

This by-law provides for a tax of 1.5 % to be levied on the transfer of real property which is payable at the time of conveyance of the title. The Deed Transfer Tax is paid at the Land Registration Office when the property is being registered.

This by-law may be inspected at the Municipal Office, in the Administrative Centre, located at 2447, Highway 3, Barrington, N.S., between the hours of 8:30 a.m. and 4:30 p.m., Monday to Friday.

Collection of the Deed Transfer Tax will commence January 1, 2018.

Warden Eddie Nickerson

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