IPTI Xtracts

Property Tax and Assessment News from Around the World

CANADA – September 2018

King's Wharf developer in property tax dispute over condo units

At issue are the property assessments on 49 condo units owned and rented out by Francis Fares

The developer behind the massive King's Wharf project along Dartmouth Cove is locked in a dispute with Nova Scotia's property valuation assessor over what he feels is an unfair assessment of condos in one of the buildings.

As part of an HST review, Francis Fares hired real estate consulting firm Turner Drake to look at the assessments of 49 condominium units in the Anchorage building that he owned and was renting out as apartments.

The Anchorage is one of four buildings that make up King's Wharf. More buildings are planned.

The Turner Drake report looked at the overall condo market in Halifax and concluded that because of a "soft market" there should be a five per cent discount on the 2015 and 2016 assessments.
Fares used the report to launch an appeal.

Property Valuation Services Corp. argued it based the assessments on the sales of condos within the building and it was "a reasonable estimate of fair market value."

But in June 2017, an independent third-party tribunal sided with Fares, saying he was entitled to a more "focused analysis." The decision reduced the assessments by $6.6 million for the 49 units.

Using HRM's tax rates for 2015 and 2016, that would mean a maximum savings of almost $80,946 over the two years. The specific amount depends on the impact of the province's assessment cap.

Hearing scheduled for Dec. 4

The director of assessments has appealed the decision to the Nova Scotia Utility and Review Board. A hearing is scheduled for Dec. 4.

A spokesperson for Property Valuation Services Corp. said in an email that it could not discuss the case, but said "it is not unusual for the director of assessment to appeal decisions where decisions are not reflective of market value."

The official with Turner Drake, who represented Fares at the appeal tribunal, said she could not comment while matters are unresolved.

Sault council ratifies property tax deal with steel mill

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Deal was cut after a recent appeal reduced the assessment of Algoma's local property holdings to $39 million, compared to $83 million in 2014-2016

Sault Ste. Marie will receive $21.8 million of the $23.8 million owed by Essar Steel Algoma Inc. for the tax years 2014, 2015, 2016 and 2017, under an agreement approved Aug. 20 at a special city council meeting.

The deal was cut after a recent Assessment Review Board appeal reduced the current value assessment of Algoma's local property holdings to $39 million, compared to $83 million in 2014 to 2016.

The city's negotiating team consisted of Mayor Christian Provenzano, chief administrative officer Al Horsman, city solicitor Nuala Kenny, assistant city solicitor Melanie Borowicz-Sibenik, city treasurer Shelley Schell and outside legal specialists.

It agreed to negotiate taxes based on an assessed value of $60 million, agreeing not to appeal the tax years 2017 to 2020.

The deal is expected court approval on Aug. 22.

Mayor Provenzano said municipal tax rates are not expected to increase and no service cuts will be necessitated by today's deal.

When interest is taken into account, the $21.8 million to be received by the city is about $4 million less than might have been received before the assessment appeal.

Should Canada have an inheritance tax?

One of the added advantages of being born into a wealthy family in Canada is that neither you nor your progeny have to pay an inheritance tax. That's because Canada is the only G7 country that doesn't tax estates or wealth handed down from one generation to another (aside from small probate fees in some provinces). But a new report says that should change.

The Canadian Centre for Policy Alternatives, in its report called "Born to Win," says a Canadian inheritance tax "could go a long way to curbing the tendency of Canada's tax system to heighten socially, politically and economically harmful levels of wealth concentration in Canada."

It noted the average net worth of Canada's 87 wealthiest families rose by 37 per cent between 2012 and 2016 — from $2.2 billion to $3.0 billion — while the net worth of middle class families increased by only 16 per cent (from $264,000 to $305,000) over the same period.

Skewing the playing field

The report's recommendations are inherently linked to the maintenance of inequality from one generation over the other — a skewing of the playing field of life from the start.

Should our laws focus on promoting equality of opportunity and social justice or the individual freedom to bequeath and right to dispose of one's property?

Debates on this issue are not new. Ideas about restricting or abolishing inheritance have been floated by Western social thinkers for nearly 300 years and probably more.

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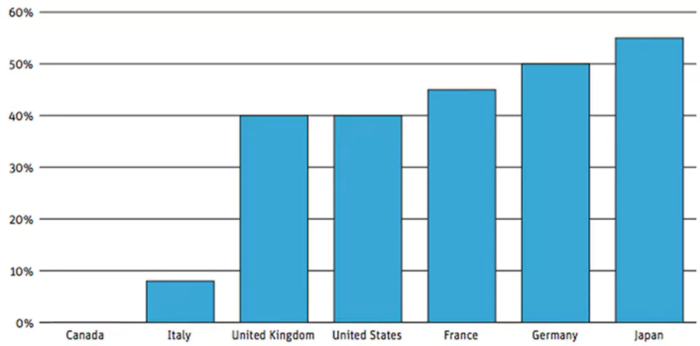

The rates of estate, inheritance or gift taxes in G7 countries (2017) Born to Win, Canadian Centre for Policy Alternatives

Charles de Montesquieu, the 18th century French philosopher who inherited a large estate and fortune from one of his uncles, remarked that "natural law commands to fathers to feed their children, but does not oblige them to make them their heirs."

Clearly, the author of the Spirit of the Law (1748) squarely sided with the view that inheritance laws are appropriate for society to maintain an equilibrium.

Reducing inequity

Another French philosopher, Jean-Jacques Rousseau, went further in his egalitarian view. While inequality is unavoidable, he argued, placing limits on the inheritance of wealth is necessary for society. Rousseau believed legislators not only can, but also must, regulate the intergenerational transfer of wealth through laws in a manner that reduces social inequality in society.

During the tumultuous French Revolutionary period of 1789-1799, the Count of Mirabeau went even further, saying passing on wealth from one generation to another promotes "inequality in the ownership of domestic goods." According to Mirabeau, property was to be limited to a lifetime and then reverted to the state upon a person's death.

In the late 19th century, Emile Durkheim, considered one of the fathers of sociology, proposed the discontinuance of inheritance, which he considered an archaic and even immoral practice.

Durkheim believed the surplus from one generation to another should not revert to the state, but instead should be used to form social institutions (akin to today's professional guilds) that would manage and redistribute the wealth.

When 'tax' is a dirty word

In the current socio-political atmosphere where "tax" is a dirty word that politicians avoid pronouncing as much as possible, it is unlikely we will see any significant legislative reforms to include an inheritance tax in Canada.

In the meantime, those of us who care about this problem still have a solution.

It is possible for each of us to privately dispose of our wealth by including charities as beneficiaries in our will — in the hope that such institutions will be able to contribute to correcting social inequalities in the future instead of reproducing them.

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