



Blending Of Taxes: What We Heard

Exploring Municipal Authority to Blend Business and Realty Taxes

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Note: This document refers to the most recent information available at the time of publication.

Community Sustainability Partnership

Department of Municipal Affairs
West Block, Confederation Building
P.O. Box 8700
St. John's, NL A1B 4J6
Tel: (709) 729-3061
Fax: (709) 729-3605
Email: CSP@gov.nl.ca
Web: www.miga.gov.nl.ca

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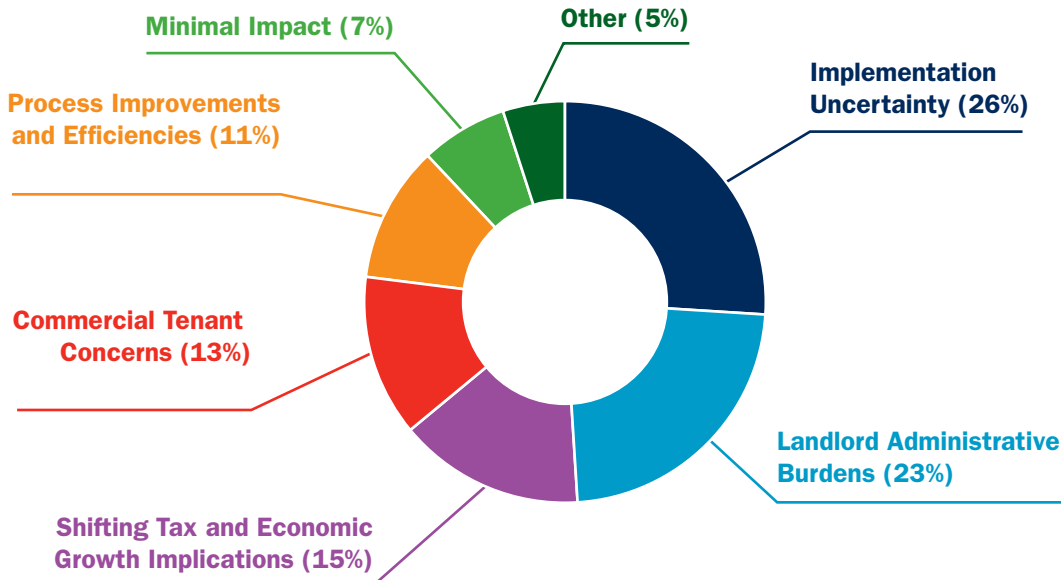
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What We Heard: At A Glance

SUMMARIZING INPUT FROM PROVINCIAL CONSULTATIONS EXPLORING MUNICIPAL AUTHORITY TO BLEND BUSINESS AND REALTY TAXES

Impacts



Suggestions to Mitigate Impacts



Implementation Uncertainty

- Increased communication from municipalities
- Provincial Government needs to set direction
- Engage business in implementation



Landlord Administrative Burdens

- Increased communication from municipalities
- Provide vacancy allowances
- Change billing cycles
- Provide lease considerations
- Offer administration incentives



Shifting Tax and Economic Growth Implications

- Adopt profitability based mill rate/tax rates
- Implement blended tax in larger municipalities



Commercial Tenant Concerns

- Implement tenant protection legislation
- Increased communication from municipalities
- Increased communication from landlord



Process Improvements and Efficiencies

- Pass on savings to taxpayers
- Implement collection enforcement
- Make blended business tax implementation optional



Minimal Impact

- Municipality does not charge business property or occupancy taxes
- Not enough businesses to implement



Other

- Do not implement blended tax/maintain status quo
- Explore other alternatives or revenue generating solutions
- Include all stakeholders perspectives in future proposals to change taxation legislation
- Examine a regionalized taxation system
- Explore an income tax based taxation system as an alternative to property tax

Community Sustainability Partnership

The Government of Newfoundland and Labrador is committed to partnering with municipalities to build sustainable communities through the Community Sustainability Partnership.

The Community Sustainability Partnership enhances supports to communities and strengthens the social and economic foundations of regions. The partnership includes a broad range of initiatives benefitting communities such as:

- Harmonized Sales Tax rebates;
- Provincial gasoline tax revenue sharing;
- Water and wastewater improvement supports;
- The creation of municipal Crown lands reserves;
- New accountability measures such as taxation receivables reporting and maintaining own-source revenues;
- Development of a provincial-municipal asset management framework; and
- The establishment of an advisory committee to help explore whether a model exists for a new regional governance structure that would further improve community sustainability.

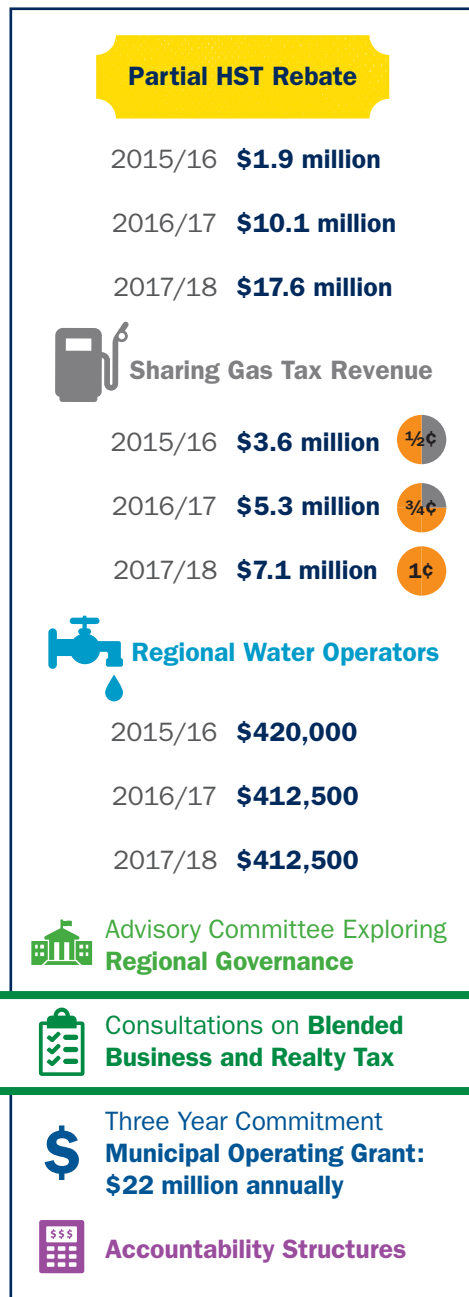
During the provincial-municipal fiscal framework review, Municipalities Newfoundland and Labrador requested government to consider changing the legislation to provide the expansion of authority for municipalities to implement a blended commercial and realty tax. With the exception of the City of St. John's, all local governments can charge property tax on businesses that own property and business occupancy tax on all businesses within a municipality. In 2013, a change in legislation allowed the City of St. John's to combine property tax and business occupancy tax resulting in a blended commercial realty tax.

As part of the Community Sustainability Partnership and in consideration of Municipalities Newfoundland and Labrador's request, the Government of Newfoundland and Labrador committed to holding consultations to ensure that the perspective of businesses and other relevant stakeholders were heard.

Between September 29 and October 31, 2015, government officials held consultations to determine how businesses and other stakeholders, such as municipal administrators, would be impacted should government make legislative changes that would provide

Fig. 1 Community Sustainability Partnership

Through the **Community Sustainability Partnership**, municipalities, Inuit community governments and local service districts will receive over **\$46 million** over three years:



municipalities with the option to implement a blended commercial and business realty tax.

Business consultation sessions were held in partnership with the Department of Business, Tourism, Culture and Rural Development, the Office of Public Engagement, boards of trade and chambers of commerce in nine locations throughout the province. Businesses and business organizations were invited to participate in an online questionnaire and encouraged to send in written submissions via email or fax.

To solicit feedback from businesses that have experienced the implementation of a blended business tax in the City of St. John's, an online survey was circulated to 1,500 businesses via the St. John's Board of Trade E-News Circular. Provincial Government officials also held a pre-consultation meeting with officials of the City of St. John's to discuss impact and mitigation experiences regarding the implementation of the blended business tax.

In collaboration with Professional Municipal Administrators Newfoundland and Labrador, an online survey was circulated to 216 municipal administrators, town/city managers, town/city clerks, and department heads throughout the province.

In addition, the Canadian Federation of Independent Business in Newfoundland and Labrador and Professional Municipal Administrators Newfoundland and Labrador provided written submissions.

This document summarizes more than **450** comments, suggestions and other relevant feedback gathered from the 126 individuals that participated in the business sessions and prepared online and written submissions. It is not intended to provide any commentary or analysis, but to summarize what we heard from the business community and municipal administrative stakeholders regarding the impacts of blended business tax structure on their business and municipal operations, and how these impacts may be mitigated.

Fig. 2 Blended Business Tax Consultation Process



Fig. 3 Communities Where the Business Consultations Were Held



- Mount Pearl**
- Conception Bay South**
- Clareville**
- Marystown**
- Gander**
- Grand Falls-Windsor**
- Corner Brook**
- Port aux Basques**
- St. Anthony**

*An additional consultation session was planned in Happy Valley-Goose Bay which was cancelled due to low interest. Registered participants and Labrador North Chamber of Commerce members were invited to participate in an online questionnaire.

Consultation Process Overview

Officials of the Department of Municipal Affairs organized targeted consultations in collaboration with the following organizations to gather stakeholder input and feedback on a blended business and realty tax:

- City of Mount Pearl Donovans Industrial Park;
- Conception Bay Area Chamber of Commerce;
- Clareville Area Chamber of Commerce;
- Burin Peninsula Chamber of Commerce;
- Gander and Area Chamber of Commerce;
- Exploits Regional Chamber of Commerce;
- Greater Corner Brook Board of Trade;
- Port aux Basques Chamber of Commerce; and
- St. Anthony Area Chamber of Commerce.

Business stakeholders were asked to provide their feedback regarding the potential impacts of a blended business tax on their business and possible mitigations for these impacts. Stakeholders were also given an opportunity to provide additional open-ended feedback.

Business consultation sessions featured:

- an overview to provide contextual subject matter information;
- informal polls using electronic equipment that allowed stakeholders to provide demographic information and vote anonymously on discussion outcomes; and
- small group discussions with a facilitator and note taker at each table ensuring that each participant’s input was heard and collected.

The Government of Newfoundland and Labrador’s Office of Public Engagement and Department of Business, Tourism, Culture and Rural Development provided support in the design and delivery of the business consultation sessions.

Businesses and business organizations were also provided with the opportunity to review an informational background document online and participate in a questionnaire or provide a written submission.

In partnership with the St. John’s Board of Trade, businesses operating within the City of St. John’s were invited to participate in an online survey to comment on their experiences with blended business

tax. Further feedback regarding blended business tax structure experience in St. John's was collected through a meeting with City of St. John's officials on August 20, 2015, and via a written submission from the Canadian Federation of Independent Business Newfoundland and Labrador.

In addition, officials of the Department of Municipal Affairs collaborated with Professional Municipal Administrators Newfoundland and Labrador to distribute an online survey to municipal administrators, managers, clerks and department heads throughout the province. Municipal administrators were asked for their feedback regarding the impact of a blended business tax on their municipality and possible mitigations for these impacts.

The information collected by the note takers during the consultation sessions, and through online and written submissions was used to prepare this 'What We Heard' document.

Input and Feedback

St. John's Experience

Following a consultation process with businesses operating within the City of St. John's, city officials eliminated the business occupancy tax and implemented a blended Business Realty Tax on January 1, 2013.

The primary reasons identified for this change were:

- To align the City of St. John's business taxation processes with the processes used in other Canadian jurisdictions; and
- To use a more simple and efficient system to collect the same taxation revenue.

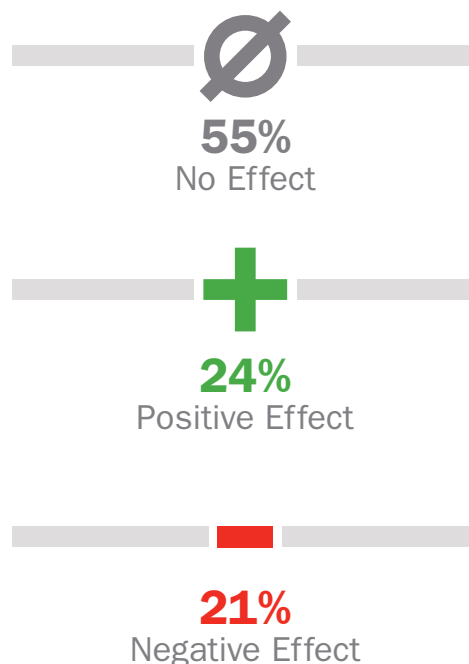
Business realty taxes in St. John's were increased to recover the revenue previously generated through the business occupancy tax. Provincial amendments were made to the *City of St. John's Act* and the *City of St. John's Municipal Taxation Act* to allow commercial property owners leasing property to a business to collect increased fees from tenants to offset tax increases.

As part of the implementation of the blended tax, the city provided support to commercial property owners to help them determine the amount of tenant fees they should charge in association with their tax

Fig. 4 Current Status

Currently, with the exception of the City of St. John's, all local governments can charge real property tax on businesses that own property and business occupancy tax on all businesses. In 2013 a change in municipal legislation allowed the City of St. John's to combine real property tax and the business occupancy tax.

Fig. 5 Did the Blended Tax Have a Positive or Negative Effect on St. John's-Based Business*



*Based on 92 interviews conducted by CFIB with St. John's members in May 2015

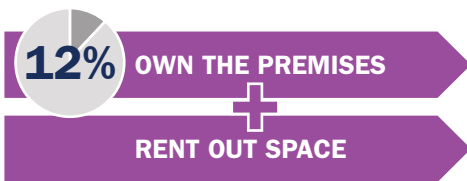
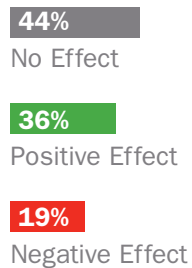
Fig. 6 Did the Blended Tax Have a Positive or Negative Effect on St. John's-Based Business by Property Arrangement



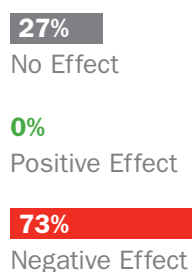
These participants own the premises where they operate their business



These participants lease their premises from another business



These participants own the premises where they operate their business and rent out space to other businesses



*Based on 92 interviews conducted by CFIB with St. John's members in May 2015

increase. The proposed solution was that one-half of the business realty tax bill would be directly associated with the landlord's cost and the other half was to be broken out amongst the building tenants.

Other changes that the City of St. John's implemented related to the blended business tax were:

- The collection of business realty taxes in St. John's was changed from an in advance bi-annual tax collection process to a billing process where the business is billed at the end of each quarter. This same collection change occurred for water tax;
- A vacancy allowance was created and implemented to address vacant commercial space and applied to registered charities and tax exempt parties. Vacant land also received a discount allowance;
- Home-based businesses using more than 25 per cent of their residential property were charged business realty tax on the portion used for business purposes; and
- Bed and breakfast operations were exempt from business realty tax and were considered residential properties.

Feedback collected from City of St. John's officials indicated the following benefits to the municipality related to their experience in the implementation of the blended business realty tax:

- The rate of tax collection increased from approximately 70 per cent to 90 per cent post-implementation of the business realty tax;
- Administrative efficiency improved due to the elimination of the business occupancy accounts;
- Business taxation account numbers decreased from 3,300 accounts to 2,000 commercial accounts;
- Work volume for assessors also decreased; and
- The city was able to attach liens to commercial property in arrears.

One issue that posed some difficulty for both the city and businesses was the process of determining what constitutes a vacancy for the purposes of qualifying for the vacancy exemption. Under the blended tax system, businesses apply for a vacancy exemption after the vacancy has occurred and the determination of what constitutes as an effort to actively market the commercial rental space availability is difficult for the city to measure.*

Other than the issue related to the vacancy assessment process, city officials stated that business complaints associated with the change to blended tax have been minimal and the transition period for both the city and businesses was relatively smooth.

Interview research conducted and shared via a written submission from the Canadian Federation of Independent Business Newfoundland and Labrador in May 2015 with 92 small business owners in St. John's supports the feedback collected from the City of St. John's. The Canadian Federation of Independent Business identified that 79 per cent of those interviewed reported negligible or positive effects as a result of the change to a blended business tax rate. Positive experiences included efficiencies in bookkeeping and budgeting as a result of the change to one simplified tax bill.

Of those businesses interviewed, 21 per cent identified negative effects associated with the change to a blended tax. Some small business owners reported negative effects related to increased tax bills and that this additional expense had a negative effect on their business. Of the 92 businesses interviewed 12 per cent identified themselves as owning their own premises and leasing commercial space to others. Of those businesses owning and leasing space, 73 per cent indicated that they feel as though they are now collecting tax on behalf of the city and concerns exist regarding late payments.

The information collected by the Canadian Federation of Independent Business is also consistent with the information that was received from respondents to the blended tax survey circulated by the St. John's Board of Trade on behalf of the Government of Newfoundland and Labrador.

*Note: On December 14, 2015, the city announced, that starting in 2018, the vacancy allowance will be eliminated for commercial property owners.

Potential Impacts and Mitigations

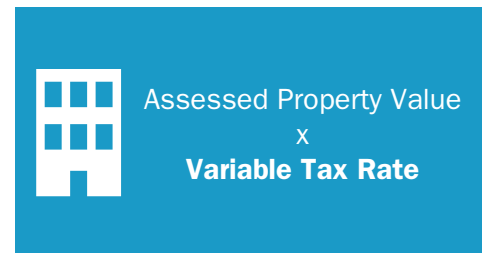
A wide range of input and feedback was gathered from businesses, business groups and municipal administrators who do not currently have a blended municipal business tax. These participants provided their opinions and uncensored thoughts concerning the possible expansion of authority for municipalities to implement a blended commercial and realty tax.

The following five themes emerged from the information gathered during the consultation period concerning the potential impacts of a blended business tax structure on municipalities and the business community:

Fig. 7 Forms of Commercial Taxation in Newfoundland and Labrador

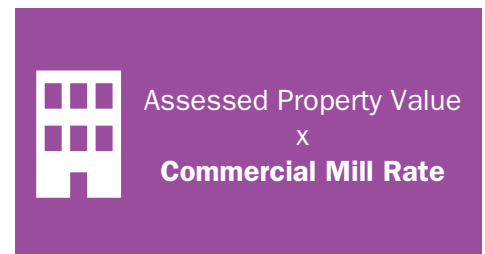
There are two forms of commercial taxation in Newfoundland and Labrador.

1 Business Tax or Business Occupancy Tax



Business tax is based upon the assessed value of the property occupied by a business multiplied by the applicable tax rate, which varies for different types and classes of business.

2 Commercial Property or Realty Tax



Commercial property tax is based upon the assessed value of the property multiplied by the commercial mill rate, which is common to all commercial properties.



**Fig. 8 What We Heard:
Implementation Uncertainty**

“How much will I have
to pay?”

“I need more information to
make an informed decision.”

“How will my municipality
administer a blended
business tax?”

1. **Implementation Uncertainty;**
2. **Landlord Administrative Burdens;**
3. **Shifting Tax and Economic Growth Implications;**
4. **Tenant Concerns; and**
5. **Improvements and Efficiencies.**

A summary of the stakeholder views related to each of the dominant themes is provided in this document including participants’ suggestions as to how these particular impacts may be mitigated.

Implementation Uncertainty

Consultation participants identified a lack of knowledge and awareness about municipal business taxes and the resulting changes that would occur should blended tax be implemented. This prevented them from fully engaging in the consultation discussions and providing feedback. Implementation uncertainty regarding the impacts of a blended business tax was the predominant theme that emerged throughout the consultation process.

In each consultation session, business stakeholders stated that they did not have enough knowledge about how business taxes are calculated and administered within their municipalities to understand how their business would be impacted should their municipality choose to implement a blended business tax.

Municipal administrative stakeholders also expressed difficulty in commenting on how authority to implement an optional blended business taxation structure would impact their municipality as this option had not been explored or previously discussed by their council.

A change associated with blended business tax to bill commercial property owners for the cost of current commercial realty and business occupancy tax bills and the additional amount of their tenant’s former business occupancy tax bill resulted in a great deal of discussion. The discussion reflected uncertainty as to how this change would be implemented from both business and municipal administrator stakeholders.

Stakeholder views related to this theme were:

Administrative Cost

- Unknown administrative costs for commercial property owners and tenants related to the re-opening of lease agreements and the collection of taxes.

Billing

- Unknown impacts related to rental costs and lease amendments for tenants. Commercial landlord stakeholders expressed that they would not know how to proportionately break out the bill to charge tenants for any increases in the property taxation amount; and
- Stakeholders questioned if partial year property vacancies would be taken into account in the collection and payment of business tax bills under a blended business taxation system.

Virtual or Home-Based Business

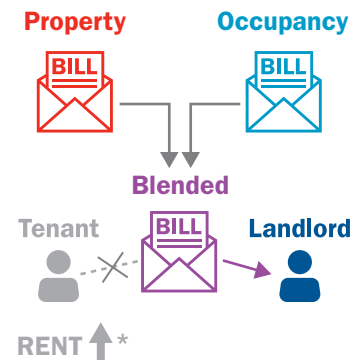
- The impact of a blended business tax on a virtual or home-based business was noted. In particular, questions were asked as to how a virtual or home-based business would be taxed under a blended tax system.

Tax Rates, Fairness and Revenue Neutrality

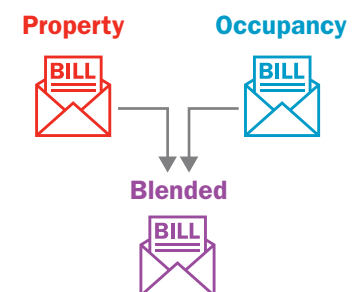
- A shift from variable business taxation categories to a blended tax rate generated discussion about how business tax incentives would work under a blended tax structure;
- Uncertainty was expressed as to the effect of blended taxes on the taxation of a lower revenue generating business that requires a larger space to operate as opposed to a higher revenue generating business that requires less operating space;
- The unknown impacts of increased costs for some business owners were raised as some commercial property owners are not currently charged business tax by their municipality but may be required to do so should a proposed blended business tax structure be implemented; and
- Discussion occurred as to whether a blended business tax structure would be revenue neutral as the impact of shifting to a blended tax structure from a variable business taxation category structure had not been analyzed by municipalities.

Fig. 9 How A Blended Tax Structure Would Work

Scenario A – You are a business tenant renting commercial space. Under the current system your business would have received a bill for business occupancy tax. Under a blended business tax structure, you will no longer receive this bill, but your landlord will receive an increased business tax bill which may be reflected in the amount you will pay in rent.



Scenario B – You are a commercial property owner operating your business out of your own commercial space. Under the current system your business would receive a property tax bill and a business occupancy tax bill. Under the blended tax structure, you will only receive one municipal business tax bill that reflects the cost of the two former bills.

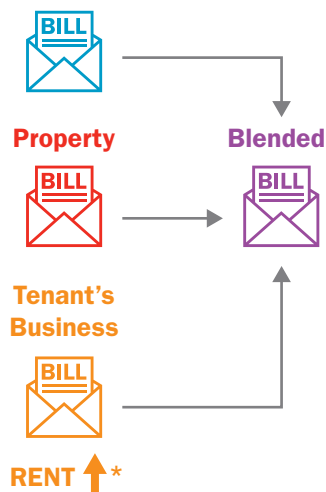


(see next page)

Fig. 9 How A Blended Tax Structure Would Work (Cont'd)

Scenario C – You are a commercial property owner, operating your own business from your commercial space and leasing space to other business tenants. Under the current system, you would have received a property tax bill and a business occupancy tax bill. Your tenants would have received a business occupancy tax bill. Under the blended tax structure you will receive one business tax bill reflecting the cost of your former property and business occupancy tax bills. In addition this bill will reflect the amount of your tenant’s former business occupancy tax bill. You will be responsible for paying the entire bill and possibly collecting any increases through an increase in your rental rates.

Occupancy



*Commercial property owners may choose to increase rental rates at their own discretion.

Stakeholders offered the following suggestions as to how the impacts relating to implementation uncertainty impacts could be mitigated:

Communication from Municipalities

- Municipalities should have a designated contact and a help line to support businesses;
- Municipalities should host information sessions for businesses with representatives from the municipality available to answer specific questions;
- Information should be provided by municipalities on the current business taxation processes compared to how the business taxation will look after the blended tax is implemented;
- The taxation formula and rates should be clarified and communicated to each business via letter correspondence from municipalities;
- Municipalities should include a clear breakdown of the difference in the amount of business taxes for commercial property owners particularly in the case of property owners who lease to other commercial businesses; and
- Municipalities should be consistent in their implementation of blended tax.

Provincial Government to Set Direction

- Provincial Government should be engaged in the implementation of blended tax and provide guidelines to municipalities that include a process for communications during the implementation of a blended business tax; and
- Provincial Government should help mitigate impacts to businesses through legislation.

Engage Business in Implementation

- Municipalities should form a business advisory committee as part of the implementation process for blended tax and survey businesses regularly to mitigate any issues.

Landlord Administrative Burdens

The second most common theme emerging from stakeholder consultations was landlord administrative burden. This concern originated from the proposed change to bill commercial property owners for the additional amount of their tenants former business occupancy tax bill under a blended tax structure.

Both business and municipal administrator stakeholders identified that blended tax would put the burden of business tax collection on the property owner instead of the actual business owner.

Stakeholder views related to this theme were:

Increased Administration Costs

- Participants identified that addressing lease changes, calculating and collecting fees for tax payments will increase administration costs for landlords; and
- Administrative costs will be downloaded by municipalities to landlords and result in landlords downloading the cost to tenants. This increase will cost businesses more money to operate affecting their viability.

Additional Liability

- Municipalities will be unloading business taxes to commercial property owners which will result in an unfair mechanism for sharing the tax burden amongst all business owners;
- The responsibility for carrying the cost of year round or partial vacancies was noted as an issue for commercial landlords. Many businesses operate seasonally particularly in the tourism sector;
- Concerns were expressed by both municipal administrators and property owners as to how municipalities would know which buildings were vacant; and
- Responsibility for payment of the entire tax bill will fall to the commercial landlord in the event that tenants are behind on rent.



Fig. 10 What We Heard: Landlord Administrative Burdens

“Property owners could take the hit when businesses leave.”

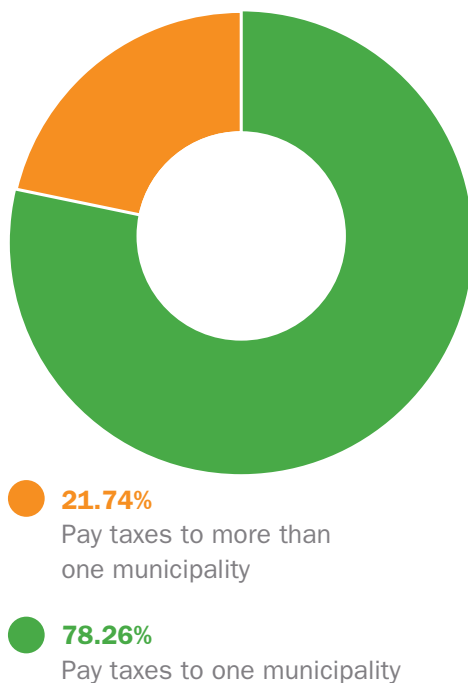
“Increased administrative costs for landlords.”

“The re-opening of a fixed cost lease is a problem.”

Fig. 11 Total Number of Participants



Fig. 12 Breakdown of Business Participation By Municipal Tax Payment



Re-opening of Leases

- The re-opening of leases was identified as problematic for commercial landlords particularly if the lease is a fixed-period lease. Landlords would then be responsible for paying the increased taxation costs; and
- Changes in billing as a result of a blended tax could lead to increases in lease amounts that could be disputed by tenants and may cause tenants to leave.

Stakeholders offered the following suggestions as to how landlord administrative burden impacts could be mitigated:

Communication from Municipalities

- Municipalities should engage the business community in discussions before implementation of a blended tax;
- Municipalities should provide clear communication to businesses on blended tax changes;
- Municipalities should provide up-to-date resources and supports to businesses including the tax breakdown on billing invoices;
- Municipalities should implement and communicate the process for business taxation appeals; and
- Municipalities should provide a clear account of any increases in mill rates to businesses.

Vacancy Allowance

- Municipalities should implement a vacancy exemption for businesses; and
- Business tenant notice period should be considered as the period of application for a vacancy exemption.

Billing Cycle

- Municipalities should issue statements to businesses on a quarterly basis instead of annually; and

- Municipalities should allow payment of bills at the end of the taxation period.

Lease Consideration

- Municipalities should implement an exemption period for existing leases;
- Municipalities should assist commercial landlords leasing to commercial tenants by providing lease clauses to reduce potential liability impacts; and
- Municipalities should provide support and information regarding the ability to re-open leases and to negotiate upfront arrangements to collect additional fees from commercial tenants related to increased taxation rates.

Administration Incentives and Supports

- Municipalities should consider offering incentives such as tax credits to businesses to offset administration costs; and
- Municipalities should provide exemptions if a commercial landlord is unable to collect the additional fees related to taxation increases from tenants.

Shifting Tax and Economic Growth Implications

Both business and municipal administrator stakeholders identified potential negative economic and shifting tax burden impacts should blended tax be implemented by municipalities. Stakeholders stated that these economic impacts would primarily affect smaller businesses in rural municipalities.

Stakeholder views related to this theme were:

Growth Disincentives

- Participants noted that individuals or companies interested in purchasing commercial property will be less inclined to do so particularly in a municipality that has a blended business tax;



Fig. 13 What We Heard: Shifting Tax and Economic Growth Implications

“Businesses might choose to operate in a non-municipal area.”

“It will be harder to rent property in a low traffic area due to extra cost.”

“Could double taxes for some businesses and reduce for others.”



Fig. 14 What We Heard: Tenant Concerns

“It takes autonomy away from the business owner.”

“Tenants will have to pay more for rent and additional costs.”

“If the landlord doesn’t pay the bill tenants could be affected.”

- Additional fees added to rental leases due to increased taxation rates may make commercial property less attractive to both property owners and businesses seeking space to operate their business;
- Increased lease fees may also create more competition between commercial property owners as commercial tenants will avail of the lesser cost option; and
- Attracting inter-jurisdictional businesses to operate in municipalities with different business tax structures may make some municipalities less competitive.

Variable Business Taxation Categories

- Higher revenue generating businesses, such as banks, will be charged the same tax rate as smaller businesses, such as local convenience stores, due to the elimination of the taxation categories. This would shift the burden of business taxation to those less able to absorb the additional cost; and
- Municipalities could be at risk of having businesses close which negatively impacts taxation paid to the town and business services provided to the community.

Stakeholders offered the following suggestions to mitigate shifting tax and economic growth impacts:

Mill Rate/Tax Rates

- Municipalities should allow for variable tax rates to account for profitability difference.

Implement in Larger Municipalities

- Blended business tax should only be implemented in larger municipalities.

Tenant Concerns

The proposed billing of commercial property owners for the additional amount of their tenant’s former business occupancy tax bill under a blended tax also prompted stakeholders to identify potential tenant

impacts. The main impact identified was the potential for commercial tenant businesses to experience increased rental and administration fees.

Stakeholder views related to this theme were:

Increased business operation costs

- Increased rental costs and fees would take the autonomy away from the business owner in managing their tax related expenses and affect the total cost of the business operation. For some businesses this could result in the business closure.

Overcharging

- Participants identified that commercial landlords may take advantage of blended tax changes to overcharge tenants rental and administration fees;
- Commercial tenants will not be able to determine if the cost they are being charged for lease fees related to increased taxes is fair and accurate; and
- Commercial tenants may be at risk of being charged additional costs to cover the cost of commercial building vacancies.

Delinquency

- Commercial tenants could be impacted if the landlord does not pay the tax bill. Municipalities could cut off services for non-payment of taxes, which will directly affect the business tenant.

Stakeholders offered the following suggestions to mitigate tenant concerns:

Implement Legislation

- The Provincial Government should implement legislation to protect commercial tenants that includes:
 - A maximum percentage that commercial landlords can charge for administrative fees;



Fig. 15 Breakdown of Business Participation By Property Arrangement

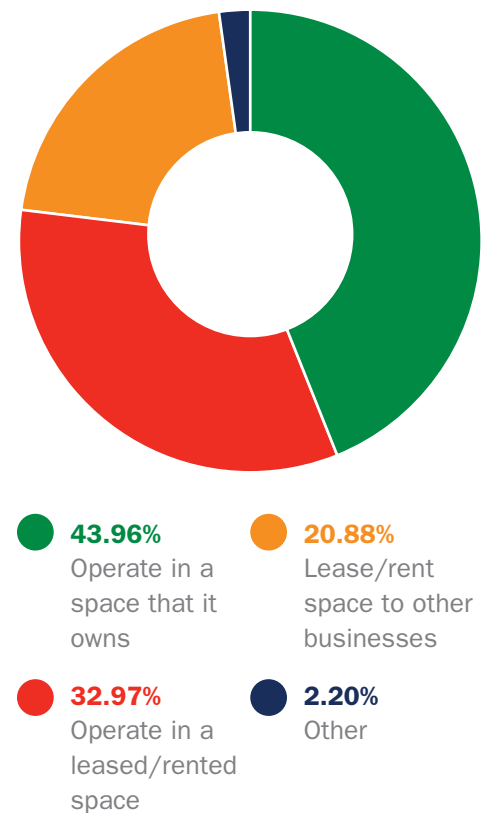




Fig. 16 What We Heard: Improvements and Efficiencies

“It’s easier to ensure all businesses are billed for property tax.”

“Business owners are happier with one bill.”

“Gives the municipality a way to enforce tax collections.”

- A price for rental space per occupied square foot that can be charged to recoup additional taxation amounts due to blended tax; and
- All costs must be itemized and disclosed to tenants.

Communication from Municipalities

- Municipalities should provide commercial tenants with a copy of the commercial landlord blended taxation fee increases to allow tenants to identify the difference between fees related to taxes and rent.

Communication from Landlord

- Landlords should ensure that all lease charges are disclosed in a transparent manner to tenants with all costs for additional tax fees and rental amounts itemized in the lease agreement; and
- Landlords should clearly communicate any expected changes to leases as a result of blended taxes to commercial tenants.

Improvements and Efficiencies

Several positive impacts were identified by consultation participants with regard to improvements and efficiencies should a blended business tax be implemented. Both businesses and municipal administrators cited the shift to a simplified process, which no longer requires businesses to register with municipalities and the change to one tax bill, as positive impacts.

Stakeholder views related to this theme were:

Flexibility

- Municipalities will have the flexibility to choose whether a blended business tax would be an advantage for their municipality;
- Billing and collection efficiencies would be beneficial for municipalities: i.e. switching from two bills to one and having a way to enforce tax collections through application of a lien or cutting off service to the business in arrears; and

- Businesses would only receive one bill instead of two reducing billing payment related paperwork.

Savings

- There may be an opportunity for municipal savings on administration to be passed on either through a reduction in business taxes, improvements in the town or additional employment.

Stakeholders offered the following suggestions to mitigate/facilitate improvements and efficiencies:

Pass on Savings

- Cost savings to municipalities could be passed on to businesses in tax breaks;
- Municipalities should indicate any savings as a result of a blended tax on the commercial tax bill; and
- Municipalities should use any savings to improve services or increase employment in the municipality.

Implement Collection Enforcement

- Municipalities should re-assign any administrative savings to a monitoring and collection enforcement process.

Optional Implementation

- Municipalities should have the option to choose to implement a blended business tax.

Other Items of Note

Throughout the consultation process, some stakeholders identified that there would be no impact on their business or municipality should the Provincial Government grant authority to municipalities to implement an optional blended business tax. The reasons provided were that their municipality did not currently charge business property and/or occupancy taxes or that there are such a small number of



Fig. 17 Breakdown of Business Participation By Length of Time in Business



72.46%
More than
10 years

7.25%
Less than
1 year

14.49%
1-5 years

5.8%
6-10 years

Fig. 18 Number of Stakeholders Contacted to Complete Online Surveys

Professional
Municipal
Administrators
Newfoundland
and Labrador

214 

St. John's
Board of Trade

1,500 

Labrador North
Chamber of
Commerce

197 

Greater Corner
Brook Board of
Trade

250 

Conception Bay
Area Chamber
of Commerce

130 

Total 2,291 

businesses operational in the municipality that a change to blended tax would not make sense to implement.

It is also worth noting that 13 per cent of participants, when asked for other comments pertaining to blended taxes, stated that blended tax should not be implemented in their municipality.

Other notable participant feedback included the following:

- Municipalities should explore other alternatives or revenue generating solutions;
- Business stakeholders and organizations such as Professional Municipal Administrators should be included in the initial discussions regarding changes to business taxation with Municipalities Newfoundland and Labrador and the Provincial Government;
- A regionalized taxation system would be beneficial to a multitude of small communities; and
- A taxation system related to the income tax process should be explored by the Provincial Government as an alternative to a property tax system.

In a written submission provided by the Professional Municipal Administrators Newfoundland and Labrador, the following points were outlined as potential considerations for municipal administrators to identify to municipal councils regarding the potential implementation of blended tax:

- Consider the fairness of implementing one blended business rate as opposed to a variable rate system without blended tax by examining the type of businesses operating in the community;
- Consider if additional taxation money would be generated as a result of a blended tax;
- Consider the presence of federal government buildings in the municipality as part of the calculation of estimated revenue under blended tax. Federal Government pays a grant in lieu of property taxes but does not pay business occupancy tax. A blended business tax rate may result in a higher amount of grant in lieu of taxes revenue for the municipality;
- Under the current business taxation system there is no occupancy tax applicable on vacant property. For those municipalities using the Municipal Assessment Agency to assess property, under a

blended tax system, municipalities will not be charged the assessment rate for the vacant tenant portion of the property. However municipalities should consider the potential loss of revenue should commercial property owners seek tax relief for vacant buildings;

- Consider if implementation of a blended business tax would make it easier to collect business taxes; and
- Once all of the above have been considered, to determine the amount of revenue required to make blended tax cost-neutral for the municipality, take the current tax roll and eliminate the revenue generated by the business occupancy portion of taxes collected.

Next Steps

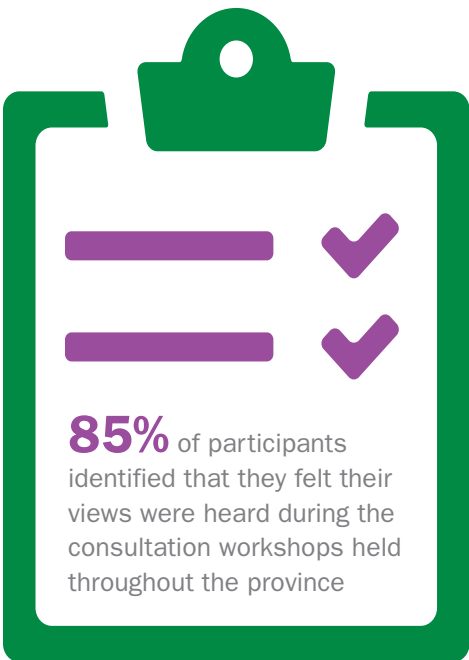
A change in legislative authority allowing municipalities to implement an optional blended business and realty tax may impact communities and businesses throughout Newfoundland and Labrador. Recognizing these impacts, government will give consideration to the perspectives gathered from the business community and municipal administrators throughout the province. In addition, the experiences of businesses and municipal officials from the City of St. John’s will also be considered in the examination of the Municipalities Newfoundland and Labrador proposal to allow municipalities the option to implement a blended commercial and realty tax.

Fig. 19 Breakdown of Business Participation by Industry





Fig. 20 How Participants Felt About the Consultation Process



Annex

Submissions and Schedule of Consultations

The targeted business stakeholder consultation sessions were attended by 102 participants and 22 participants submitted online responses including 20 municipal administrators and two business participants. These participants identified possible impacts to businesses and municipalities should a blended business tax structure be implemented and put forth solutions for mitigating such impacts.

While the list of attendees is not disclosed to protect the privacy of the participants, a list of the supporting organizations is provided below along with the date and location of each consultation session.

Community	Partner Organization	Consultation Date	Location
Mount Pearl	City of Mount Pearl, Donovans Business Park	September 23, 2015	Hotel Mount Pearl
Gander	Gander and Area Chamber of Commerce	October 6, 2015	Hotel Gander
Burin-Marystown	Burin Peninsula Chamber of Commerce	October 8, 2015	St. Gabriel's Hall
Clarenville /Bonavista	Clarenville Area Chamber of Commerct	October 13, 2015	Clarenville Inn
Grand Falls-Windsor	Exploits Regional Chamber of Commerce	October 15, 2015	Grand Falls Golf Club
Corner Brook	Greater Corner Brook Board of Trade	October 21, 2015	Glynmill Inn
Port aux Basques	Channel-Port aux Basques and Area Chamber of Commerce	October 22, 2015	Hotel Port aux Basques
Conception Bay South	Conception Bay Area Chamber of Commerce	October 23, 2015	Manuels River Hibernia Interpretation Centre
Plum Point/ St. Anthony	Great Northern Peninsula Development Corporation/St. Anthony and Area Chamber of Commerce	October 29, 2015	Grenfell Heritage Hotel

An additional consultation session was scheduled in Happy Valley-Goose Bay, Labrador in partnership with the Labrador North Chamber of Commerce, but was cancelled due to lack of registrants.

In addition, two written submissions were received from the following organizations:

- Canadian Federation of Independent Business in Newfoundland and Labrador; and
- Professional Municipal Administrators Newfoundland and Labrador.

Government officials held a pre-consultation meeting with the following City of St. John's officials on August 20, 2015 to discuss the city's experience with the implementation of blended Business Realty Tax:

- Deputy City Manager of Financial Management;
- Manager of Assessments; and
- Manager of Revenue Accounting.

Source for Infographics

Department of Municipal Affairs, Government of Newfoundland and Labrador, except:

Figs. 5 & 6

CFIB, Member Liaison Officer personal interviews with St. John's members, May 2015, 92 responses

Source for Photos

Pgs. 12, 15, 20, 21 & 24

Newfoundland and Labrador Tourism

Pg. 19

Supported Employment Newfoundland and Labrador

