

Churches take tax hit after province strips exemption for daycares ^[1]

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EXCERPTS

Nova Scotia's property tax assessment arm has inspected 40 churches across the province that have daycares in their halls and basements and stripped almost half of their tax exemption.

The crackdown follows a Nova Scotia Supreme Court ruling that a public, fee-for-service daycare operated by a church, or on church property, is not exempt from taxation.

Until now, entire church properties were exempt from property tax in the province.

Property Valuation Services Corporation, an independent organization responsible for all property assessments in the province, reassessed churches that run daycares last year. Some received hefty bills for the daycare portion of their property for the first time this year.

Church officials scrambling

The move has left church officials scrambling to recover from the financial hit.

A Baptist church in New Minas, N.S., took the director of assessment to court after it received a tax assessment that classified their daycare as commercially taxable.

Religious institutions are exempt from property tax as long as the property is used for religious or congregational purposes, according to the Nova Scotia Assessment Act.

Forty of the 411 regulated daycares in the province were operating in properties owned by religious institutions, according to a 2017 court exhibit from the Department of Community Services.

Court ruled on grounds of equality

In his decision, Justice Gregory Warner wrote that if the government allowed provincially licensed and subsidized daycares on church grounds to be exempt from taxation, it would put hundreds of other daycares in the province on an unequal financial footing.

Rev. Daniel Cormier, the spiritual leader at the Baptist church in New Minas, said taxation at the commercial rate would have shut down the daycare.

Cormier said he wasn't seeking special treatment, only to be treated like any other charity.

"Religious or not, whether it's Christian, Islamic or whoever, we all are trying to do good in our neighbourhoods," said Cormier.

"At the end of the day affordable daycare for people — so that they can thrive and work and their kids are well cared for — is what we all want."

He later plead his case to county and village officials and was given an exemption. The church daycare is now being taxed at the residential rate, which is keeping them afloat for now, he said.

Some daycares in 'a very precarious place'

"The irony, in a way, is for years and years a lot of these daycares, including ours, have worked on grants ... from the government to work that into the budget," he said.

"So it's kind of like the left hand, right hand, you know, giving and taking ... and putting some daycares into a very precarious place."

Warner, in his decision, wrote that he doesn't believe that every activity carried out by a religious congregation is exclusively for a religious, or congregational, purpose.

"If a congregation, based on its evangelical or humanitarian beliefs and a recognition of needs in the community, were to construct and operate a seniors' residence, a retail thrift or discount store, or a bakery, other than for the primary benefit of its own congregation, and in competition with similar non-religious operations, it is not conducted exclusively for religious or congregational purposes," he wrote.

Several United churches in the Halifax area said they are in a similar situation, as they look at annual tax bills in excess of \$4,000.

Andrew Sowerby, the lawyer for the New Minas Baptist church, said he expected Property Services Valuation Corporation to start pursuing revenue from other churches following the loss of their case.

Sowerby said daycares and churches will have limited options, such as rolling the costs into their expenses or passing the cost on to parents.

Churches have options for appeal

Churches can also appeal their assessments to the Nova Scotia Utility and Review Board or challenge it in court, he said.

He said they can also have their tax assessment reviewed by their local council, as Cormier did.

"As these assessments are going out to these various religious institutions that may have had many years of being subject to no property tax, I expect they're considering their options," said Sowerby.

Shannon Peterson, a spokesperson for the Property Valuation Services Corporation, said last year's Supreme Court decision led them to inspect and reclassify the other churches.

"If we determine the business is operating for a commercial purpose, we will assign a commercial taxable classification to the portion of the property used for commercial purposes," said Peterson. "The remainder of the church property will retain its exempt classification."

Property assessments were done by the province until they were privatized a decade ago.

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