PROPERTY TAX CASE STUDY
RACK RATES

Our Client's Challenge

Our client had recently invested almost $8.0 million purchasing and renovating an hotel, assessed for property tax purposes at just under $5.0 million. The Nova Scotia Assessment Act mandates an assessment based on the property's market value at a base date (1st January 2005), two years prior to the 2007 taxation year. Our client wanted to reduce their tax load: they turned to Turner Drake for help.

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Turner Drake's Approach

Our Property Tax Division used a two pronged strategy. The first hurdle to be surmounted was the almost $7.0 million purchase price, paid for the property only a few months prior to the 2007 taxation year. PVSC (a.k.a. Service Nova Scotia), the provincial assessment authority, subscribe to the standards of the International Association for Assessing Officers (IAAO), thoughtfully posting a link to them on their web site. IAAO standards preclude the use of sales unless they are close to the 1st January 2005 base date. The purchase price could not therefore be used without substantial adjustment. Turner Drake then furnished stated and unpublished case law to PVSC establishing that, in the absence of a relevant sale, reliance must instead be placed on the hotel's income generating capacity prior to the base date. Income for the fiscal years 2003 and 2004, supplied to PVSC by the previous owner, clearly supported a reduction in the assessment. The sales of other, older full service hotels at the base date added further credence to this conclusion.

Winning Results

Turner Drake were able to demonstrate to PVSC that the property's assessment should be reduced from $5.0 million to $3.5 million, a tax saving to our client of $42,000/annum.

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