



**Subject:** *Council Remuneration - 1/3 Tax Exemption Issue from 2019*  
**To:** Council  
**Date Prepared:** December 10, 2025  
**Related Motions:** C20(72)  
**Prepared by:** Sheralee Mitchell-MacEwan, Assistant Municipal Clerk  
**Approved by:** Kim Ramsay, CAO

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### Summary

At the December 9, 2025 Executive Committee meeting, the issue was raised regarding the 2017 Federal Government decision to remove the 1/3 tax exemption for municipally elected officials effective for the 2019 tax year. Staff researched the issue and this report summarizes more information. Staff reports from 2018, 2019 and 2020 are attached; as well as, additional documents for more details.

### Financial Impact Statement

None

### Recommendation

None

### Recommended Motion

None

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### Background

With the Federal Government budget announcement in 2017, the 70-year-old 1/3 tax exemption for municipally elected officials was removed, effective for the 2019 tax year. That decision impacted the amount of income taxes that Councillors had to pay. The NSFM (Nova Scotia Federation of Municipalities) and FCM (Federation of Canadian Municipalities) both adopted resolutions prior to the implementation and lobbied the government to reverse the decision with no results. The Federal Government confirmed it would not reverse the decision.

It was then recommended that municipalities adjust pre-tax compensation to allow officials to maintain similar levels of post-tax compensation. In January 2019, Councillor remuneration was increased to offset the increased income taxes. The average increase to salaries and travel allowance was 10.5% for Councillors and 14% for the Warden (due to the base salary falling into a higher tax bracket). A similar process was done for most units in the Province (and other provinces) at that time.

The reasoning for the January 2019 salary increase was to maintain the same take-home pay as they would have received prior to the elimination of the 1/3 tax exemption. The average increase in the net pay after January 2019 was \$60 bi-weekly. The intent was that the additional amount of take-home pay would be to offset the inability to claim the 1/3 tax exemption when filing income tax returns.

In November 2019, the list of eligible reimbursable travel was expanded and Council passed a motion to add additional travel expenses their Councillor Remuneration & Travel Reimbursement Policy. Staff presented a report in March 2020 with policy alternatives regarding travel reimbursement to/from the Lloyd Matheson Centre, travel reimbursement methods for district size, salary adjustment and lobby efforts related to non-taxable travel and election expense reimbursement parity with the Province and Federal government.

In March 2020, Council passed Motion C20(72):

***That Council approve the Councillor Remuneration & Travel Reimbursement Policy with the following changes:***

- ***Travel to regional events put on by the Province, NSFM, FCM, AMA or another external agency where municipal topics are being discussed. Where multiple events are available throughout the province, it is expected that mileage would only be reimbursed at the distance of the event closest to the home of the Councillor.***
- ***Where a Councillor wishes to attend an event and be reimbursed travel, where the event is not covered under one of the scenarios above, the Councillor may ask for an eligibility review of the event, to be conducted by the CAO and Warden.***
- ***Lobby for tax relief on taxable mileage expenses and to be recognized like elected officials from other levels of government.***
- ***Strike the section related to travel expenses for attendance at sub-committee meetings.***
- ***Remuneration/salary adjustment for Councillors to \$28,463, Deputy Warden at 125% of that and Warden at 195%, changes to take effect April 1, 2020.***

Council did not direct any action be taken with respect to election expenses.

Staff contacted CRA on several occasions to understand the requirements and were advised that there were no alternatives or changes expected (see attached "One Third from CRA").

#### **NSFM Response:**

Discussion was held by the NSFM Board in June 2018 resulting in a resolution "*recommending that pre-tax compensation for elected officials be adjusted to allow them to maintain the same levels of post-tax compensation after the 2019 law takes effect*"

News Release was issued July 3, 2018

Worked with the FCM to address the issue with the federal government

(See attached documents)

#### **FCM Response:**

*"Change in "one-third" federal tax exemption for elected officials Fall 2018"*

(See attached)

There is no record of Council writing any letters on the issue. However, the Status Update report indicates that in June 2020 all items were actioned from Motion C20(72), exception Item 3 (Lobby efforts) which was in progress at that time. The Status Update report for October 2020 indicated the motion was "Done - to be removed", but there are no details on what actions were taken.

Subsequent updates to the Council Remuneration & Travel Reimbursement Policy include:

October 2020 = Addition of \$65 for internet to be reviewed bi-annually

April 2021 = Consolidated 2021 rates (adjusted by CPI)

March 2022 = Consolidated 2022 rates (adjusted by CPI)

March 2023 = Consolidated 2023 rates (adjusted by CPI)

June 2023 = Adjustment to five meal rates

April 2024 = Consolidated 2024 rates (adjusted by CPI)

December 2024 = Re-adoption of the policy following the election (Section 23 of MGA)

April 2025 = Consolidated rates 2025 (adjusted by CPI) and addition of Section 9 re: training and development

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## Discussion

Council can review the information provided and decide if any further action should be taken or not.

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## Attachments

CRS- Council Remuneration Sep 2018

CRS - Council Remuneration Nov 2019 Staff Report

CRS - RTC Council Remuneration March 2020 Final

One Third from CRA

Press Release for Tax Change

Change in “one-third” federal tax exemption for elected officials Fall 2018