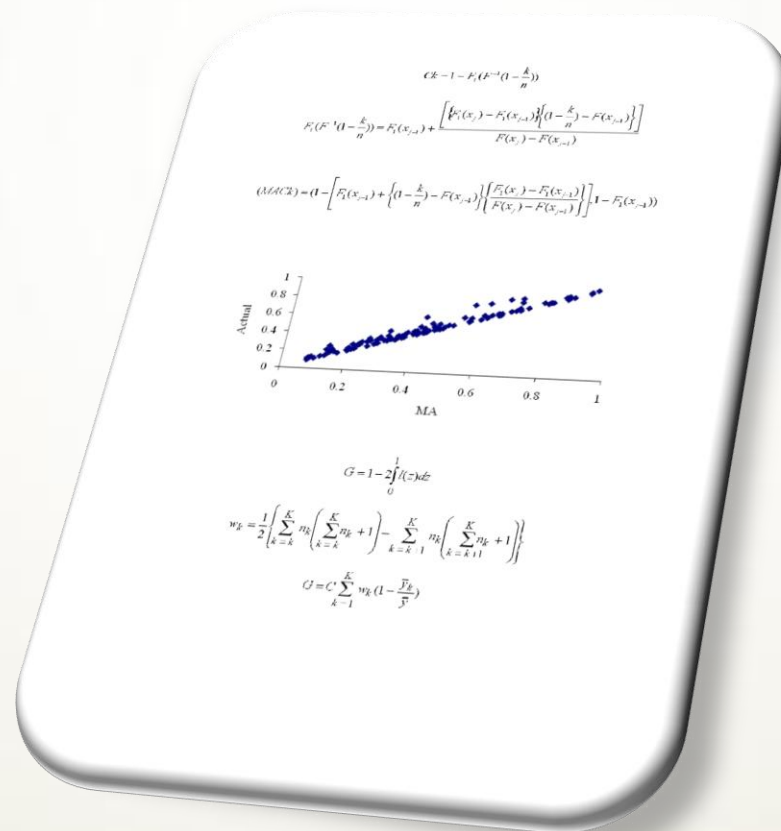


Draft Submission on behalf of Dublin City Council's Finance SPC regarding the Review of the Local Property Tax

Pat McCloughan to
Dublin City Council
15 March 2018



Overview

- Concern regarding the possibility of steep increases in people's LPT bills in the next valuation period
- Government aiming to achieve "*relative price stability*"
- But more fundamentally is the issue of the LPT as a source of local government financing
- Select Committee's Review provides an opportunity to
 - Progress to a more effective system whereby local authorities retain all or 100% of the LPT revenues raised in their areas
 - Cease Equalisation between local authorities, with councils having weaker tax bases receiving supplementary funding from the Exchequer
 - Stand down exemptions but retain deferrals

LPT Funding Available to DCC in Discretionary Funding

Item	€m		
	Budget 2015	Budget 2016	Budget 2017
LPT Receipts - 100%	82,659,298	77,547,442	79,467,549
Equalisation Fund - 20%	16,531,860	15,509,488	15,893,510
Maximum 15% Reduction (Council Resolution)	12,398,895	11,632,116	11,920,132
Supplementary Funding	0	255,593	0
Available LPT Funding	53,728,544	50,661,430	51,653,907
% of LPT Receipts - 100%	65%	65%	65%
Distribution of LPT Funding			
Self-Funding (Roads & Housing)	46,928,600	43,861,135	28,584,938
LGF/GPG	2,667,330	2,667,330	2,667,330
PRD	0	0	16,428,262
Discretionary Funding	4,132,614	4,132,965	3,973,377
% of LPT Receipts - 100%	5.0%	5.3%	5.0%
Change in Discretionary Funding		352	-159,588
Cumulative Change in Discretionary Funding			-159,237

LPT Funding Available to DCC in Discretionary Funding

- ▶ The LPT to date has failed to act as a new funding source for much-needed local services in the DCC area
- ▶ As summed up in the 'Dublin City Council Annual Report and Accounts 2016' (p. 71):

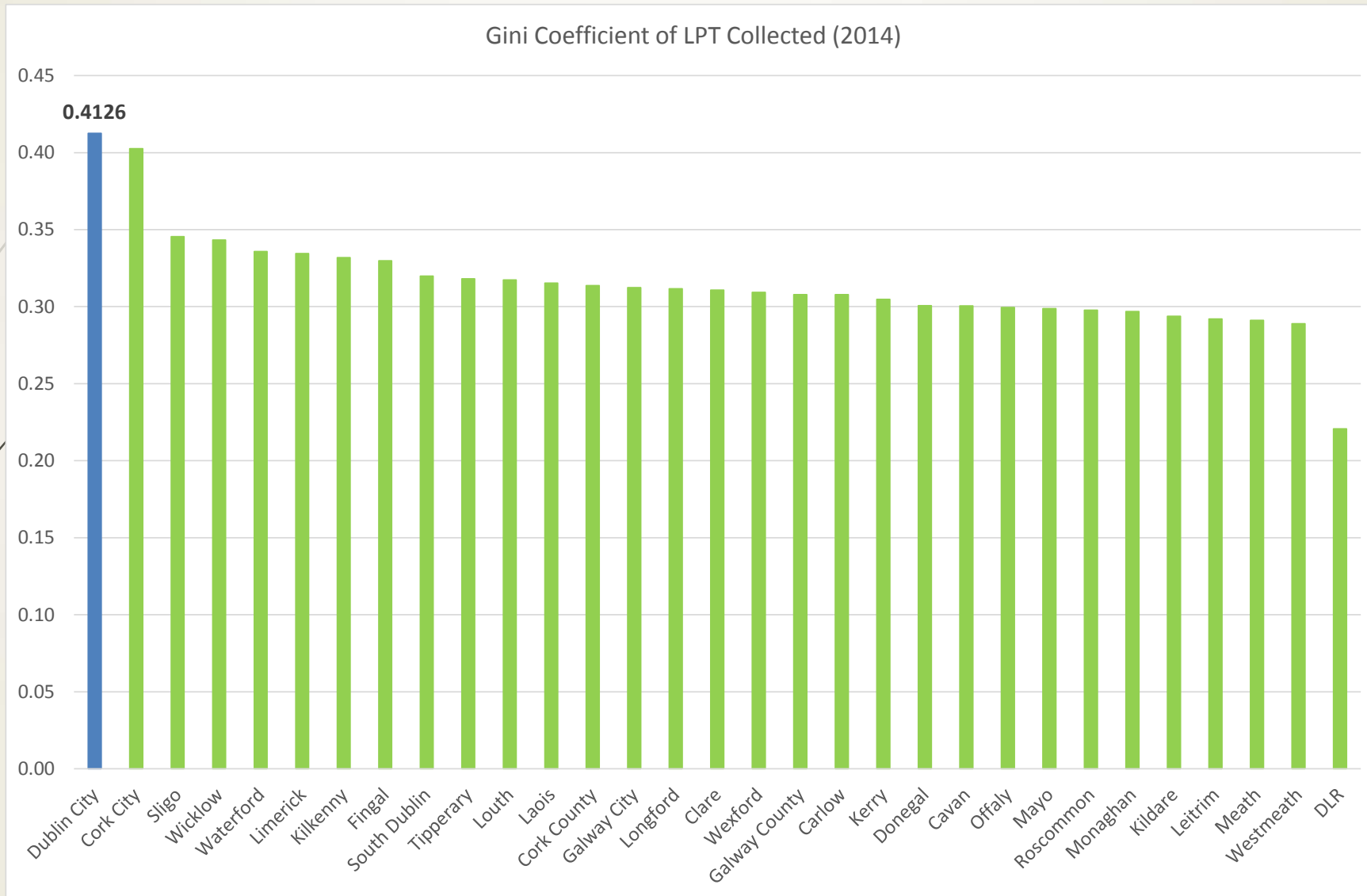
"There is an expectation on the part of Dublin householders discharging their LPT liability, of additional service provision as a consequence. The introduction of the LPT is broadly understood to be a 'new' funding source for local government. However, LPT income has in the main replaced funding that was previously allocated by Government. In addition, €48m of LPT paid by households in Dublin City over the period 2015 to 2017 was used to fund local services outside Dublin City in other local authority areas."

- ▶ LPT funding model reflects the centralised nature of public funding in Ireland (IMF commentary, November 2017)

Progressivity of the LPT

Dublin City Council Area (2014)		
Residential Property Valuation Band (€)	No. Residential Properties	
	Returned (000s)	LPT Collected (€m)
0-100,000	52.0	1.8
100,001-150,000	41.7	8.9
150,001-200,000	42.4	12.6
200,001-250,000	35.4	13.6
250,001-300,000	19.4	8.9
Over 300,000	39.8	34.1
Total	230.7	79.9
% State	12.4%	16.5%
<i>Progressivity of LPT</i>		
<i>% Properties > €300k</i>	17.3%	
<i>% LPT Collected for Properties > €300k</i>	42.7%	
<i>Crude Progressivity Ratio 1</i>	2.5	
<i>Crude Progressivity Ratio 2</i>	1.3	
<i>Gini Coefficient of LPT Collected</i>	0.4126	

Progressivity of the LPT



Socio-Economic Inequalities in the DCC Area

- ▶ But the progressivity of the LPT in the DCC area also reflects marked socio-economic inequalities
- ▶ Simultaneous occurrence of high affluence and deprivation
- ▶ In 2016, over one-third of all people living in the DCC area (37%) were doing so in deprivation, many in conditions of 'disadvantage' or 'very disadvantaged' (13% of those living in the DCC area); while the remaining almost two-thirds were living in conditions of affluence (from 'marginally above average' to 'very affluent')
- ▶ DCC area had 319,092 persons at work in 2016 (16% of all employment in the State, versus DCC pop share 12%)
- ▶ Many of the jobs are held by inbound commuters
- ▶ Very few by people living in the disadvantaged areas of the City

Conclusions

- ▶ Local property tax generally motivated on economic grounds
- ▶ LPT's genesis during the 'economic emergency'
- ▶ Self-assessment model and generally successful (compliance)
- ▶ However, the LPT has not been successful as a new source of funding for local services, particularly in the DCC area
- ▶ Particularly important needs of the capital – economic, tourism and tackling socio-economic deprivation and its effects
- ▶ The Budgetary Oversight Committee's Review of the LPT provides a unique opportunity to amend and improve the system post-November 2019, for the benefit of local communities and local authorities



Proposals



1. Independent appraisal of local authority needs and resources, and hence of the validity of the baseline funding model for local authorities, within the lifetime of the current LPT valuation, before deciding on the next revaluation in 2019
2. LAs retain all of their LPT revenues
3. Cessation of Equalisation (among local authorities)
4. Openness/transparency re how LPT receipts are spent
5. Cessation of exemptions
6. Deferrals – as per the Thornhill Review (2015)
7. Timing of the next revaluation (1 Nov 2019)