

Editorial: Housing, property tax reform needed

VANCOUVER SUN APRIL 4, 2015



Most Vancouver-area residents are accepting of free market forces that have driven up property prices to levels that make affordability difficult.

Photograph by: Vancouver Sun, Files

Most Vancouver-area residents are accepting of free market forces that have driven up property prices to levels that make affordability difficult. They are far less accepting of government tax policies that aggravate this problem.

The Property Transfer Tax, charged in percentage terms on real estate purchases, and the Homeowner's Grant, reducing property tax payable on homes assessed at more than \$1.1 million, need readjustment.

The increase both in the purchase prices and assessed values of Lower Mainland homes has increased sharply in recent years, allowing governments to scoop easy revenue on the backs of a lot of locals who are under serious financial pressure because of the region's high property valuations.

It is unfair to assume that everyone who purchases or lives in a million-dollar home these days is wealthy. For many, a financial struggle is involved, which they undertake because they have made a choice to live in Vancouver.

Indeed, as of 2014, 66 per cent of detached homes in the city were priced in excess of \$1 million — up from 33 per cent in 2010.

Such numbers suggest the province should have boosted the \$1,295 phase-out threshold for the Homeowner's Grant. But, counterintuitively, the province reduced the threshold in its 2014 budget, to \$1.1 million — the impact of which was that many more homeowners were gratuitously excluded from receiving this often badly needed taxation respite of \$570, or a portion thereof.

The only possible reasoning behind this move was that it was a fairly easy way to boost provincial revenue, and somewhat surreptitious and thus unlikely to inspire political blowback.

But it was not progressive, hitting many longtime homeowners with modest incomes. And it is perverse, in that it can only discourage home ownership — an activity generally positive for the economy.

The Homeowner's Grant phase-out threshold is part of a package of tax reforms related to housing the province should enact in its next budget.

The other change that is needed is a downward adjustment of percentage charges in the Property Transfer Tax, paid when purchasing property. Again, given the increase in housing costs, existing percentages are out of whack, resulting in excessive taxation on buyers at a time when many already feel overextended. This situation also serves to discourage property purchases.

To be revenue-neutral, any changes to these tax levies would require the province to adjust other taxes upward, quite probably personal income tax.

The province, to make up any foregone revenue, might also wish to undertake further study on measures lately adopted in several other countries, such as a PTT surcharge on homes valued at more than \$5 million, a levy on those who keep their Vancouver properties vacant or a stamp tax on foreign buyers.

© Copyright (c) The Vancouver Sun