

OPINION

This back-door tax increase stings

Provincial budget: As TransLink's hypothetical levy generates rage, a stealthy hit on homeowners quietly pulls in more cash



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On Page 58 of this year's B.C. Budget and Fiscal Plan, there it was, largely unnoticed and unremarked upon. It's in the hood-from-a-stone chapter of the budget, the one entitled Tax Measures.

It reads:

"The threshold for the phase-out of the homeowner grant is maintained at \$1,100,000 for the 2015 tax year. For properties valued above the threshold, the grant is reduced by \$5 for every \$1,000 of assessed value in excess of the threshold."

Lately, taxpayers have directed their outrage at the 0.5 per cent point sales tax rise being proposed as a funding vehicle for Metro's transit plans. Fueling that outrage has been the Canadian Taxpayers Federation, champion of the No side.

But for thousands of Metro homeowners, who have seen their housing costs and assessments zoom into the stratosphere in recent years, the homeowner grant phase-out could cost them even more.

This has received little media attention — certainly nothing like the coverage the proposed sales tax has inspired.

An astute reader named David — who preferred I not use his last name — pointed this out after reading a column I did on the percentage of homes in the city of Vancouver now assessed at more than \$1 million.

In that column, I cited urban planner Andy Yan of Bing Thom Architects, who found that 66 per cent of homes in the city of Vancouver proper were assessed at over \$1 million in 2014, up from 33 per cent in 2010.

The result of this rise? Many homeowners are going to get a tax hit this year once their assessment goes over \$1.1 million. It will cost them more than a hike in the sale tax.

Wrote David in an email:

"In 2014, the province actually reduced the phase-out threshold from \$1.295 million to \$1.1 million at a time when assessments



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A largely unnoticed change in this year's provincial budget will see the homeowner grant reduced for homes in urban B.C. assessed at over \$1.1 million.

were rising quickly. Before that, they always made sure that the threshold rose in step with assessments so that the vast majority of homeowners continued to qualify for the (grant)."

However, with this year's startling rise in Metro house prices, and the assessments that, in time, will reflect that rise, many homeowners will see the \$570 tax grant evaporate completely. In B.C., the grant is reduced by \$5 for every \$1,000 an assessment is above the \$1.1 million cap. A home assessed at \$1,214,000 or more, then, will fail to qualify for any amount.

"Given all the fuss about the transit tax and an estimated cost per household in the \$125 to \$250 range," David wrote, "why is this possible \$570 tax increase to many Lower Mainland homeowners getting no press or interest from (No side campaigner) Jordan Bateman? At least we know the transit tax goes to

transit, but the extra \$570 goes into the even less accountable general revenue pot."

Good point. While the attention of Metro Vancouver taxpayers has been fixated on a tiny rise in a sales tax that local municipal governments want for real and needed improvements in transit, few have noticed the provincial government is extracting tax — through the back door, as it were — simply for general revenue.

This is not the case for as many homeowners living outside of the Fraser Valley or the Capital Region. In northern or rural B.C., residents enjoy a larger homeowners grant of up to \$770, and their properties must be assessed at \$1,254,000 — or \$40,000 more than Metro residences — before their grant is reduced to zero.

But in Metro? More homeowners are feeling the squeeze. According to Yan, the assessments of some 5,600 single-

family detached homes just in the city of Vancouver rose above the \$1.1 million grant cap in the last year. That's a 17 per cent rise. That number would be undoubtedly much greater if one includes condos, townhomes and apartments, and homes in other municipalities like West Vancouver, Burnaby, North Vancouver, Surrey or Richmond — all of which have homes assessed at well over \$1.1 million.

The provincial Ministry of Finance argues the grant structure still provides relief to those who need it most, and fair enough, though the nature of the real estate market here has meant that the number of those getting relief has fallen while the cost of housing has risen.

Expect this whipsaw to continue. It's a tax coming to a neighbourhood near you, if it hasn't already.

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