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B.C. budget fails first-time home buyers

Dennis Roberge / North Shore News

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West Vancouver - An open letter to Premier Christy Clark and B.C. Finance Minister Mike de Jong: The Property Transfer Tax (PTT) exemption for first-time buyers of new and existing homes has been in place for more than a decade and the maximum home value to qualify has gradually increased to its pre-budget level of \$475,000.

In metropolitan areas of the province, home prices have been rising and continue to rise by several thousand dollars per month. The current \$475,000 maximum value that qualifies for this exemption is far below what it should be to truly reflect real change in home costs in the these high density areas. Your government has been reaping the tax revenue benefits resulting from these increases in property value, while at the same time excluding more and more first-time buyers from the program.

In 2015, the government's property transfer tax windfall was 40 per cent greater than budgeted as a result of the increase in cost and sales volumes for homes in the province. The tax is expected to bring in \$1.5 billion in the current fiscal year, 40 per cent of which is from price and volume increases in real estate in the province. That 40 per cent increase amounts to a whopping \$600 million in unexpected windfall revenues for the province. Based on our progressive redistributive tax system, the \$600 million plus the \$900 million balance should all be redistributed to the people of B.C. on a need basis.

So let's see what you have done for the people of B.C. with these funds in your recent budget.

You have retained the existing tax exemption level at \$475,000 for first-time home buyers of existing homes, while making buyers of new homes exempt from the tax on homes sold for less than \$750,000.

While buyers of new homes benefit from this program, tax costs to buy a home are still exceedingly high. New homes have 5 per cent GST due on their purchase price, while the GST has already been paid on all existing homes. Consequently, a buyer of a new home at \$750,000 now pays \$37,500 tax, rather than \$50,500. Yes, this lesser amount of tax will spur a limited number of new home sales, especially in rural areas of the province with small populations where new home prices are less than \$750,000.

However in high density urban areas, there are few new homes available for under \$750,000 and there are virtually no quality existing homes available under \$475,000. Consequently, the proposed tax exemption program on new homes does little to solve the first-time home buyer's affordability problem.

Very few first-time home buyers will find this proposed new home tax exemption program an attractive purchase option, because the alternative of buying an existing home at \$750,000 where the GST has already been paid, means in that case only property transfer tax of \$13,000 would be due. This represents a whopping \$24,500 saving for first-time buyers.

Most first-time buyers are from the Lower Mainland of Vancouver or the Greater Victoria area, where new and used home prices have risen by up to 30 per cent in 2015 and about 10 per cent in the preceding year. This makes their home purchase exceedingly difficult and expensive to begin with, and paying an extra \$24,500 in GST is simply not a realistic option for these buyers.

Why hasn't there been a change in the maximum exemption level for the property transfer tax on existing homes to reflect actual changes in the real-estate market, especially in major metropolitan areas where prices have been rising and continue to rise at alarming rates? Currently, in metropolitan areas of the province, the price increase of new and existing homes far exceeds a new buyer's ability to save to purchase either alternative. Increasing the exemption for the tax on existing homes, to match the \$750,000 upper limit for new home buyers, could easily be financed from the windfall revenues generated by increased revenues from the property transfer tax and the one per cent commercial property transfer tax increase proposed on properties over \$3 million. Where does this leave the finance minister's argument that he implemented this property tax change to spur new housing demand? To avoid the GST cost, economics will force nearly all of these first time buyers into purchasing an existing, rather than a new home, and paying only the property purchase tax. Consequently, this new tax provision will have a very limited effect on total new home supply and this change will only benefit small population areas with very limited sales volumes.

Therefore, market demand for new houses will continue to come mainly from existing home owners based in urban areas trading up in the market, rather than from first-time home buyers. Unfortunately, in these same urban areas, market demand will not be significantly spurred from this new tax exemption proposal because the selling price of most of these new homes exceeds the \$750,000 maximum exemption limit. Consequently, the minister's argument that this new tax exemption will significantly spur demand is poorly thought out and exceedingly weak at best. More likely, over time, his argument will end up as simply an afterthought in the actual dynamics of today's real estate market.

From a tax perspective, the foregoing leaves first-time home buyers in these same urban areas out in the cold and they are the buyers who are most in need of tax relief.

How can your government disregard the plight of these first-time buyers, the people most affected by the current extensive rise in home prices? What has become of your sense of personal fairness and equitable taxation? **Can you name a group more in need of property tax relief than our own hard working potential first-time home buyers?**

In a recent television appearance, Minister de Jong argued the reason for not increasing the first-time buyers tax exemption is that he governs for the whole of B.C. not just for people in major metropolitan areas. The minister should be reminded that British Columbians are supposed to have representation by population, not by geography. Since the majority of the population live and work in the major metropolitan areas of the province, he should look there first for his governing guidance, not to areas where the population is sparse and the geography large. It's in these metropolitan areas where first-time buyers want to live and raise their families, as this is where most of the jobs are located.

Lastly, as we chase these first-time buyers further away from their work in order to find affordable housing, we increase the number of cars on the road, the congestion and the wear and tear on our bridges and other infrastructure, while increasing our population's carbon footprint by burning more fossil fuels. Surely this is a situation that absolutely deserves reconsideration by your government.

The premier and the minister were both young once and probably struggled to buy their first home. When they were first-time buyers, house prices probably represented somewhere between two and three times their annual income.

More like 10x -cjk

In today's metropolitan house market, the cost of a house is in the range of six to seven times a person's annual income. Consider what this means for a working family's budget, including the mortgage payment. How much money will be left in the budget to buy food and

the other necessities of life for the family? Have you both forgotten the financial constraints of your own youth? Young first-time buyers are the future leaders and voters in our province. We must give them all the help we can so they and their children are afforded the same opportunities we, as elder statesmen and women, had at their age. Today's young, first-time buyers deserve the opportunity to own a home and raise a family where there's room for them and their children to play outside.

I urge you to reconsider your position and raise the first-time buyer's exemption limit to \$750,000 on existing homes, to equal the new home exemption proposed in the recent provincial budget.

This change will not significantly alter the number of new homes built in the coming years, as the current problems with new home availability in urban areas are land supply, development costs and property purchase taxes, not demand. The budget and the province can well afford this proposed revision as the money is already being earned to support this tax change. The province will not lose by implementing this change. Quite frankly, this change would be a big win for British Columbians on all fronts.

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