

Time to push the reset button on B.C.'s Property Transfer Tax

(To replace the 2007 and 2008 BC resolutions and support the position of the CHBA-BC and BCREA)

Summary: Property Transfer Tax has become an onerous and punitive measure that is out of date with current markets.

When the province first introduced the Property Transfer Tax (PTT) almost a quarter of a century ago it was difficult to foresee the tremendous economic growth or the high cost of housing that exist today in British Columbia.

First introduced in 1987 by the Social Credit government of William Vander Zalm, it was conceived of as a tax on the wealthy. It was believed that the 1 percent tax on the first \$200,000 on the cost of a home was modest and that the 2 percent tax over that would apply to only 1 in 20 buyers.

But times have changed and the exact opposite is now true. In 2009, the 2 percent levy applied to more than 88 percent of the homes sold in British Columbia. The wealth tax has become an unfair tax that inflates the cost of housing, erodes affordability and discourages labour mobility.

In the city of Vancouver, house prices have skyrocketed over the last 25 years. Whereas the average price of home in 1987 was under \$200,000 – that same property in 2011 costs a breathtaking \$760,000.

What might have been considered as a reasonable down payment on a home in 1987 is today equal to the value of the PTT. That average sale price for home in Vancouver will in fact cost an additional \$13,200 in PTT in 2011.

And every time the house changes hands, the PTT escalates and inflates the cost of the home, attacking affordability and sucking money out the rest of the economy.

Property transfer taxes are often described as the most hated and unfair taxes in Canada and nowhere in country is the provincial land transfer tax more burdensome than in British Columbia. In Ontario, the province takes \$2725 on a \$300,000 home. In B.C., the province demands \$4000.

BC ranks worst among all provinces in terms of burden of land transfer taxes on homeowners. In fact, British Columbians pay 222% more in land transfer taxes per transaction than the average Canadian and the BC Government levies a PTT rate that is 129% higher than the average for Canadian provinces.

And higher property prices are not solely to blame for this scenario; prices in British Columbia are 45% higher than the Canadian average, so the inequitable structure of the BC Government's PTT adds an additional burden of up to 177%.

Government revenues from the tax have soared from \$140 million a year in 1987 to well over \$1 billion.

Although some changes have been made to exempt first time buyers up to the value of \$375,000 the increasing burden on ordinary British Columbians the formula for the tax has gone essentially unreviewed since the day of its inception.

New Construction

Inequities also occur when a builder purchases a property and then in short period turns it over to a homeowner and constructs a dwelling on the undeveloped property. The builder must pay the PTT and then in short order must charge the homeowner the PTT again to transfer the title to the property before constructing the residence.

Move Up Buyers

Move up buyers carry the most unfair tax burden of all – they pay the property tax over and over again – essentially paying tax on tax. A British Columbian who moves for example four times – could easily pay \$100,000 in land transfer tax in a lifetime.

Time to Review

Canadians expect taxes to be fair and just. They expect that investment in a home will be the one tax free asset they have. Instead there is a front load tax that makes homeownership increasingly expensive.

No government has been willing to give up the PTT as a revenue source, and eliminating it is not an option. However, PTT has clearly jumped the boundaries of reason and forced a heavy and unfair taxation burden on ordinary British Columbians. A restructuring of the formula is due.

THE CHAMBER RECOMMENDS

That the provincial and federal governments:

1. Amend the Property Transfer Tax Act to charge one percent on the first \$525,000 and two percent on the remaining purchase price.
2. Amend the Property Transfer Tax Act to increase the exemption for first time buyers.
3. Require move up buyers to pay PPT on only the difference between the sale price of their property and the purchase price of their new property based on

threshold values of one percent on \$525,000 and two percent on the remainder of the difference.

4. Revise the Property Transfer Tax Act to exempt builders who are not the proposed 'end' users.
5. Amend the Property Transfer Tax Act to incorporate indexing of the threshold and make adjustments annually.

Submitted by Canadian Home Builders' Association Central Interior