

Let's stop taxing homebuyers!

British Columbia is facing a housing affordability crisis, according to the Royal Bank of Canada. An RBC report in June showed that British Columbians spend an average of 54% of their household income on housing, as opposed to 28% in Alberta and 35% in Ontario. This means that young people are having trouble getting into the condo market. It means that young families are having trouble affording the house they want for their kids.

This is a crisis for everyone because it means that British Columbia will have trouble attracting the kind of young workers we need to sustain our economic growth. It means that it is difficult for young people to start their careers and build a future here. It means that the very people we pay to educate in our schools and universities will be tempted to go elsewhere with their new education, and build an economic future in some other jurisdiction.

Incredibly, the BC government makes matters worse by applying a sales tax to all housing purchases in British Columbia. A young family moving up from a \$200,000 condo to a \$400,000 house, will find itself saddled with a \$6,000 property transfer tax bill, just for the privilege of committing to our community, buying a house, and putting down roots. If they are borrowing the \$6,000, and virtually all buyers are forced to, the cost of this tax in terms of increased mortgage payments will be \$20,000 to \$30,000 over a 25 year term.

In some cases, this extra cost is enough to convince people to look for employment in some other housing market. In the case of bigger companies, looking to locate a facility in B.C., or in some other province, the extra tax that we impose on their commercial property, and the employees that they might wish to relocate here, can add up to hundreds of thousands of dollars. The property transfer tax is a job killer that is costing British Columbia its future.

The property transfer tax is also a tax on mobility, which is both detrimental to the economy, and to our fundamental principles of tax fairness. Imagine for example, the case of two engineers who graduate from U Vic in the same year. One takes a job in Victoria, buys a house, and stays there for 50 years. The other moves around the province looking for economic opportunities, working in many communities over his lifetime. Over the same 50 year period, both people might earn the same total salary, but one will pay no property transfer tax, and the other might pay \$50,000. On what basis does the more mobile person deserve to be attacked with that kind of tax burden?

Another common reason why people move is because of changing family circumstances. The addition of a new baby. The end of a marriage. The need for more space to take in elderly relatives. These are all reasons that people move houses. Why should people going through these kinds of ordinary life changes have to pay thousands of dollars to the government, when others do not?

Good taxes, if there are such things, are supposed to be neutral to people's personal behaviour. In other words, people are not supposed to change their activities because of taxes. In the rare instances when we do create taxes that interfere with the economy, it is to push individuals to do something for the collective good. This is why we tax cigarettes heavily, to discourage smoking, or why we give tax breaks on fuel efficient cars, to lower vehicle emissions in our cities. What public policy is served by discouraging people from moving homes?

Every time the property transfer tax causes a person to stay put, rather than move, this restricts personal choice for individuals, and has a negative economic cost to our economy. This is a bad tax that should be eliminated as uncompetitive and counter productive.

Finally, the PPT is inflationary because the percentage of tax grows with higher prices. While a \$200,000 purchase is taxed at only 1%, a \$400,000 purchase is taxed at 1.5%, and it keeps on going up. In the last year of the NDP government, the property transfer tax raised about \$250 million in revenue. Last year, thanks to a booming economy and a dramatic rise in housing prices, this tax now takes in more than \$600 million and is still growing. On the backs of home buyers, who are struggling with crippling mortgages and inflated prices, the government has seen fit to more than double their tax burden. Talk about adding insult to injury. The answer to an unprecedented affordability crisis should not be to make housing even less affordable by increasing the amount of tax collected on purchases.

Since the property transfer tax was introduced in 1988, it has had no known benefit to the economy. It is an unfair tax that discriminates against people who have to move to seek employment or because of changing family circumstances. It is a job killing tax that discourages companies from locating in British Columbia and creating jobs here. Every time someone chooses not to buy a house in British Columbia, we lose jobs in the moving industry, the real estate industry, the legal industry, and construction and renovation industry, and retail. Every time a company chooses to locate a facility in another province because of the property transfer tax, we lose jobs and revenues that are far greater than the tax revenue we might have gained.

It is time to remove this tax, and free British Columbians to make their own decisions on where they want to live, without the government penalizing their decisions.

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