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***This tax hurts the homebuyer
We have a housing affordability crisis in B.C.
and the property transfer tax is one of the biggest culprits***

By Bruce Hallsor

Special to the Sun

British Columbia is facing a housing affordability crisis. Young people find it difficult to get into the condo market. Young families are having trouble affording a house big enough to raise kids.

B.C.'s housing affordability gap is glaring in comparison to the rest of the country. A Royal Bank report in June showed that British Columbians spend an average of 54 per cent of their pre-tax household income on housing, compared to 28 per cent in Alberta and 35 per cent in Ontario.

This is a crisis for everyone because B.C. will have trouble attracting young workers needed to sustain our economic growth. The young people we pay to educate will find it challenging to start their careers here and will be tempted to build an economic future outside B.C.

The property transfer tax is one of the biggest culprits in the housing affordability crisis. It is a regressive tax that limits personal choice and prevents people from buying and moving homes.

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, putting down roots. If they are borrowing the \$6,000, as virtually all buyers are forced to, the mortgage payments on this tax inflates to \$20,000 to \$30,000 over a 25-year term.

The property transfer tax is a job killer. In some cases, the cost of the tax 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., the extra tax that we impose on their commercial property and their employees' properties can add up to hundreds of thousands of dollars.

The property transfer tax is also a tax on mobility, which is detrimental to both the economy and our fundamental principles of tax fairness.

Take, for example, the case of two engineers who graduate from UBC in the same year. One takes a job in Vancouver, 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.



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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. Why should people going through these kinds of ordinary life changes have to pay thousands of dollars to the government, when others do not?

Finally, the property transfer tax is inflationary because the percentage of tax grows with higher prices. While a the purchase of a \$200,000 home is taxed at only one per cent, a \$400,000 purchase is taxed at 1.5 per cent, and it keeps going up.

In 2000, the last year of the NDP government, the property transfer tax raised about \$250 million in revenue. In 2004, thanks to a booming economy and a dramatic rise in housing prices, this tax took in more than \$600 million and is still growing.

On the backs of homebuyers, who are struggling with crippling mortgages, rising utility costs and inflated prices, the government has seen fit to more than double their tax burden. The answer to an unprecedented affordability crisis should not be to make housing even less affordable, but rather to cut the tax.

The property transfer tax was introduced in 1988. It has had no known benefit to the economy. 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 B.C., 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 high time the B.C. government cut this tax, and free British Columbians to make their own decisions on where they choose to live, without penalizing their decisions.

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