

# B.C.'s new school tax unfairly targets Vancouver homeowners, residents say

The Globe and Mail - Kerry Gold Jan 11, 2019

B.C. residents whose homes are affected by the new provincial school tax won't feel the pain until they receive their property-tax notices in the summer, says a local tax agent who has long been protesting the tax.

Paul Sullivan predicts a host of appeals and greater outrage once the new measure finally takes effect.

"It's not until the July tax bill that we will feel it," says Mr. Sullivan, senior partner and head of the tax division at consulting firm Burgess, Cawley, Sullivan and Associates, "It's only after the Jan. 31 deadline to appeal that people will realize how egregious this tax is."



The B.C. government's new school tax targets properties assessed at more than \$3-million, a figure that captures much of the real estate on Vancouver's west side. The assessment for this house on West 24th Avenue in Mount Pleasant dropped below \$3 million.

The new tax targets homes valued at more than \$3-million. It is one of a host of tax measures announced by British Columbia's NDP government last year that have turned Vancouver's crazy ride of a real estate market into a far quieter, more balanced one – a change most residents, and realtors, are embracing. It is the slowdown that many people wanted to see, particularly those shut out of the housing market. However, while most agree that the issue of speculative buying was driving prices and needed to be addressed, they feel that the school tax unfairly ensnares local residents who have made their lives here.

English teacher Mary Lavin believes Vancouverites are shouldering too much of the burden for an unaffordability crisis that was caused by decades of government policy aimed at courting foreign-investment dollars.

Government should fix the problem it created, says Ms. Lavin, who's owned her townhouse on Point Grey Road for years. She says her home will not be hit by the new tax this year, but she knows it's a matter of time.

"We had nothing to do with the policies; we had nothing to do with prices going up or down, and nothing to do with the foreign investment that government courted going back 30 years," she says. "Now, we are the ones being targeted, in a discriminatory fashion. We're the perceived rich. And we've done nothing except live our lives and contribute productively to the economy. It's not only wrong, but it's insulting and hurtful. That's where you get the divisiveness between the haves and have-nots."

A Ministry of Finance media representative said in an e-mail that the new tax is a progressive version of a pre-existing school tax, and that only 2 per cent of property owners in B.C. are affected. But Mr. Sullivan says more than 10 per cent of Vancouver residents will have to pay the tax. Last year, Mr. Sullivan found that more than 21,000 properties qualified for the tax, with an average 33-per-cent increase in property taxes. The NDP projected about \$250-million in revenue from the school tax over three years, and despite its name, the money generated will go into general revenues.

Mr. Sullivan is also irked by the vague wording on recent assessments he's seen, which say the school tax "may be payable," without giving a specific amount. "They didn't have the guts to state specifically that it does apply to you, and how much it is. What are they doing?"

Mr. Sullivan represents individuals, developers and businesses who want to appeal their property assessments. He has also consulted for the city. He argues that the new school tax unfairly targets a group of homeowners who can't necessarily pay hefty new taxes on properties they purchased decades ago.

In Vancouver, the school tax is probably the most contentious of all the new tax measures introduced in the provincial government's 2018 budget. It has created a divide between those who are property rich and those who view those lucky homeowners as greedy. The new speculation tax on homes that are left empty for six months of the year, and the increased foreign-buyer tax of 20 per cent, aren't inspiring anything close to the wrath of the school tax.

Not surprisingly, the loudest opposition is coming from the city's tony west side and the city of West Vancouver, as well as expensive areas such as South Surrey. For the many people who can't afford a down payment on a home, the plight of the high-end homeowner hasn't garnered much sympathy. A poll by Research Co. last year showed that 61 per cent of respondents were for the tax, but 51 per cent were against it if applied to homes valued at less than \$2-million.

But taxes need to be fair and affordable, Ms. Lavin argues. People will argue that if she can't afford the tax, she should sell her house and move. And Mr. Sullivan counters that pushing a long-time member of the community out of their home isn't the answer, because the person who buys that home will be a person with greater wealth.

Those in favour of the tax have argued that homeowners can defer their taxes if they are older than 55, and although their debt will go up each year, so, too, will the value of their home.

But that plan isn't as workable if the homeowner needs a reverse mortgage or refinancing down the road, says developer and west-side homeowner Michael Geller, who defers his own property taxes.

"Should you decide to take out a home-equity loan, you cannot do that as easily if you have a lien against your house from the government, and that's effectively what you have when you defer your taxes," he says. "The second thing is, you cannot defer your taxes if you are living on leased land. I'm hearing all sorts of negatives."

**West-side realtor Bryan Yan says other government measures have already achieved the goal of slowing the market.**

**"The speculative buyer is gone," he says. "The foreign-buyer tax and the mortgage stress test hurt a lot, those two together. Now, the local investors are not seeing the foreigners coming to buy. They are saying, 'It's difficult for me to borrow money now.'**

**"So I think it's not necessary, and I think the school tax is a Pandora's Box, because the government is going to keep adding different types of taxes. Government shouldn't have the power to tax unrealized gains of an asset."**

**Mr. Yan also thinks the tax is inaccurate because it's going to be based on assessments done in July, 2018, and those are already out of date with the market slowdown, which changes month to month.**

Realtor Patricia Houlihan believes prices in Vancouver have fallen further than the nearly 5 per cent reported recently by the Real Estate Board of Greater Vancouver. "If you look at West Van, for example, or [Kitsilano], or even East Van or North Van, they are down way more than that – and we don't even know how far down because so few homes are selling we can't get an accurate number. Homes that were \$4-million a year or year and a half ago, are selling now for \$1-million less – that's a 25-per-cent drop."

Ms. Lavin and others believe that as prices fall and fewer homes qualify, the government could lower the qualifying threshold. This is a commonly heard concern from those in the anti-tax group. In an e-mail, the Ministry of Finance said government would not lower the threshold and that such claims were part of a partisan effort to spread misinformation. Ms. Lavin says she is non-partisan on the issue.

"I think an investigation should be done into government practices in the past," she says. "It's our government who should be held accountable. It's not fair to dump the problem onto the homeowner."

Raymond Wong is a member of Housing Action for Local Taxpayers, which lobbies government to take action against foreign property-buying in the Lower Mainland. They argue that foreign speculation has driven up prices and created a housing crisis for local income-earners. Mr. Wong is currently working on a petition against money laundering in the region. He is in favour of the province's tax measures, particularly the foreign-buyer tax and the speculation tax. However, he says the school tax needs adjustment.

"The tax is not perfect. I understand what the government is trying to do, but it needs to be tweaked in a way that they should go after foreign buyers, satellite families and non-residents,

"There are people who say, 'Let's stick it to the homeowner. They've made all this money because their equity has grown.' But we don't want to see the school tax destroy communities.

"I feel perhaps that maybe the tax should be tweaked so that if you bought at \$3-million or more, then you get hit with the school tax.

"I think the benefit to [the tax measures] is to bring house prices down to make it a less attractive place for foreign investment to come in. But I think the government didn't do enough study on it. People are getting hurt by this tax."

But over all, Mr. Wong is pleased with the effect of the government's effort to soften the market. For the first time in a long time, there is hope that housing might return to affordable levels, he says.

"I've talked to a lot of my colleagues, and they are hoping people will get into the market; first-time buyers. I believe that in the long term, the condo market will start dropping in price. Retired people could move down or choose to stay, and growing families could move up the property ladder. It would be great.

"Every time I go by [the west side], the place is hollowing out. You need to do something to bring down those property values so that people can move up."