



BRITISH COLUMBIA
REAL ESTATE
ASSOCIATION

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Select Standing Committee on Finance and Government Services
Room 224
Parliament Buildings
Victoria, BC V8V 1X4

Committee members:

Jobs, health care, education. These are three significant areas of BC's economy that deserve attention. Housing is no less deserving—after all, it impacts every British Columbian. A fair system of taxation that improves housing affordability can help ensure a thriving economy, which is an essential element contributing to the enviable quality of life available to BC families.

On behalf of 11 real estate boards and nearly 19,000 REALTORS® around the province, the British Columbia Real Estate Association (BCREA) asks the Select Standing Committee on Finance and Government Services to review the recommendations in this submission and forward them to the Minister of Finance for inclusion in the 2012-2013 Budget.

Recommendations—Moving Toward the PST

BCREA understands the transition to a Provincial Sales Tax (PST) regime is expected to be complete by March 31, 2013. This means potential buyers of new homes may put off their purchases until that time, which will be especially negative for the condominium market and the secondary/ recreational home market.

Potential homebuyers also need firm answers about how the PST will apply. Delayed purchases of new homes will have a broad negative impact on BC's economy, from local professionals and retailers all the way up to provincial tax revenue.

BCREA joins colleagues in other sectors and organizations in urging the provincial government to alleviate market uncertainty by revealing its transition plan as quickly as possible, including transitional rules that are written in clear, plain language.

Over the next few months, BCREA plans to consult with REALTORS® around the province to learn about their questions related to the transition, and to gather their suggestions about improvements that can be made to the PST. The Association will make this information available to elected officials to assist with the move toward the PST.

1420 – 701 Georgia Street W, PO Box 10123, Pacific Centre, Vancouver, BC V7Y 1C6

President Rick Valouche | Vice President Jim McCaughan | bcrea@bcrea.bc.ca | 604.683.7702 (tel)
Past President Moss Moloney | Chief Executive Officer Robert Laing | www.bcrea.bc.ca | 604.683.8601 (fax)



Recommendations—Improving Housing Affordability

The Property Transfer Tax (PTT), places an unfair burden on homebuyers, and BCREA ultimately supports the resolution passed at the 2011 BC Liberal Party convention to eliminate the PTT using a phased approach. Until elimination is possible, the following recommendations are intended to ensure a fair approach to the PTT for homebuyers now and in the future.

REALTORS® and BCREA recommend the provincial government:

1. Increase the 1% PTT threshold from \$200,000 to \$525,000, with 2% applying to the remainder of the fair market value.
2. Index the 1% PTT threshold of \$525,000 using Statistics Canada’s New Housing Price Index, and make adjustments annually.

While BCREA’s recommendation to increase the 1% PTT threshold will result in less PTT revenue for the provincial government,¹ it would put the dream of homeownership within reach of more families throughout BC, and free up others to undertake home renovations or other spending.

How can we maintain BC as a preferred destination for investment? Provincial tax competitiveness is a cornerstone of the current government’s policy, and considerable reductions have been made in corporate and personal income tax rates. However, the PTT stands out in a negative way. The effectiveness of low personal income taxes to attract and retain workers is offset by the high cost of owning a home, which is intensified by the highest provincial property transfer tax in Canada.

The structure of the PTT has not changed since the tax was introduced in 1987, despite significant changes in the housing market. At that time, the average home price was \$101,916, and the 2% portion of the tax was expected to apply to only 5% of sales. For many years, the 2% portion of the tax has applied to most homes sold in the province.

Indexing the 1% threshold is a critical step, because it will ensure that the PTT has the same impact on current and future homebuyers. Although the PTT applies to sales of new and existing homes, the New Housing Price Index provides a reasonable proxy for all home sales in BC.²

Table 1: Comparison of Current and Proposed PTT Structures

PTT	Current	Recommended
Structure	1% up to \$200,000 2% on the remainder above \$200,000	1% up to \$525,000 2% on the remainder above \$525,000
Revenue	\$767.3 million	\$609.3 million

Note: Revenue estimates are based on calendar year 2010 transactions and are net of First-Time Home Buyer exemptions.

¹ Increasing the 1% PTT threshold to \$525,000 would have resulted in a decrease in provincial government revenues of approximately \$158 million, based on 2010 BC Assessment data. That figure represents less than 1% of the anticipated taxation revenue for fiscal year 2010-2011.

² The Canadian Real Estate Association’s National Housing Price Index is expected to be implemented in January 2012, and BCREA believes it will then be the best choice.

Homebuyers in BC deserve a fresh start. If the PTT is to remain, as every government since 1987 has indicated due to the tax's contribution to provincial revenue, then it is time to restructure the tax to reflect market conditions and assist BC families who face the highest home ownership costs in the country.

Widespread Benefits

Homebuyers throughout BC will benefit significantly from an increased 1% PTT threshold. Based on 2010 BC Assessment data, more than 70,000 homebuyers—or about 71%—would have paid less PTT if the 1% threshold had been increased to \$525,000.

The benefits of minimizing the negative impact of the PTT are several organizations support changes to the tax, including the following:

- BC Liberal Party,
- 11 BC real estate boards, representing nearly 19,000 REALTORS®,
- Urban Development Institute—Pacific Region,
- Canadian Home Builders' Association of BC,
- BC Chamber of Commerce, and
- Vancouver Board of Trade.

Housing is a significant economic contributor. As Table 2 illustrates, the average housing transaction in BC is estimated to generate nearly \$60,000 in expenditures. This is well above the Canadian figure, and the \$9,000 in taxes generated by each sale easily exceed every other jurisdiction.

Table 2: Estimated Expenditures Generated by the Average Housing Transaction
Canada and Regions, 2009

	Canada	Atlantic	QC	ON	Prairies	BC
	Dollars					
General Household Purchases	2,400	2,150	2,325	2,375	2,575	2,350
Furniture and Appliances	5,300	4,225	5,300	4,750	5,550	6,650
Moving Costs	2,475	2,350	3,175	2,325	1,875	2,750
Renovations	9,400	6,725	10,425	8,800	9,600	10,400
Services*	18,200	9,900	12,275	16,950	14,025	28,475
Taxes (excluding GST)	4,575	1,725	2,500	5,150	1,350	9,050
Total	42,350	27,075	36,000	40,350	34,975	59,675

*Financial, legal, real estate appraisal, survey, other professionals

Source: Altus Group Economic Consulting based on Statistics Canada Input-Output Model

Sales of existing homes also drive job creation, with BC leading all other provinces. According to Altus Group Economic Consulting, the sale and purchase of MLS® homes in BC generates 34,595

direct and indirect jobs—nearly 1 in 65 jobs across the entire BC economy, much higher than the national average of 1 in 109 jobs.³

Conclusion

Thank you for this opportunity to directly address the topic of ensuring the economic health of the province. Together, the real estate sector and elected officials can make dramatic improvements to housing attainability with simple adjustments to the province's tax structure.

BCREA representatives are pleased to discuss these issues further, as well as provide research or other support to help improve housing affordability for British Columbians.

Yours sincerely,



Rick Valouche
President

About the British Columbia Real Estate Association

BCREA represents 11 member real estate boards and their nearly 19,000 REALTORS® on all provincial issues, providing an extensive communications network, economic research and analysis, government relations, required post-licensing courses and continuing education.

To demonstrate the profession's commitment to improving Quality of Life in BC communities, BCREA supports policies that encourage economic vitality, provide housing opportunities, respect the environment and build communities with good schools and safe neighbourhoods.

³ Altus Group Economic Consulting, Economic Impacts of MLS® Home Sales and Purchases in Canada and the Provinces, 2011.