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Bulldoze new taxation

City Hall is breaking promise of no new taxes

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Citizens should be furious to learn some of their municipal representatives have reneged on an election promise, quietly voting in favour of asking the province for the ability to impose a land transfer fee. After all, it was only nine months ago, during the televised mayoralty debate, when Mayor Dave Bronconnier vowed the city would not push for new taxation powers.

That was before the election. To make such a move now -- without a mandate to do so, with no debate and little transparency -- shows a lack of accountability. If the city is going to try to bring in a new tax, the least it can do is consult with the public.

The land transfer tax is being pitched as a revenue stream to help build affordable housing units. The proposal is buried in an administrative framework approved at the last council meeting, listing preferred amendments to provincial legislation in support of affordable housing.

According to the proposal, the city would ask for an amendment to the Land Titles Act, giving municipalities permission to charge a tax of up to one per cent of the real estate value on specified land transactions. The city would "impose and collect the tax itself."

How quickly things change while nothing really changes at all. The municipality is still crying poor, even after it reached a lucrative \$3.3-billion, 10-year funding agreement last fall, after Premier Ed Stelmach caved in to Bronconnier's demands.

That should have been the end of the real estate transfer fee and the other civic taxes pitched by Bronconnier, the mayor of Edmonton and others associated with the Council on Municipal Sustainability.

"What I do know is that we are not pushing for those," Bronconnier clarified in a heated exchange during last fall's election debate. "The City of Calgary is not seeking new taxes."

You can't get much clearer than that.

There are many reasons to oppose a land transfer tax. All buyers of residential and non-residential properties bear the full cost of the revenue grab, making housing for the general population more costly. A tax meant to increase housing affordability ironically does so at a cost to buyers, inflating the overall affordability of the real estate market.

It's a significant expense. Using this month's \$462,778 average selling price of a single family home in Calgary, the transfer tax could cost the buyer another \$4,628.

And that's just the start. In practice, the temptation to keep increasing the tax seems to be too great to resist in provinces where it's collected. In Ontario, for example, the tax rate climbs from 0.5 per cent on the first \$55,000, to one per cent from \$55,000 to \$250,000, 1.5 per cent from \$250,000 to \$400,000 and two per cent above \$400,000.

Such a formula successfully hides the tax and complicates the transaction.

Transparency and accountability are needed, not a quick dash for cash. The city says it would use the fee to raise \$18 million annually, which it estimates it needs in municipal funding to reach its target of building 200 affordable housing units a year. But that's based on \$325,000 per unit; an awfully high amount for what are supposed to be no-frills units.

Even using the city's figures, the revenue generated from a one per cent real estate fee would surpass the targeted

\$18 million in no time. At an average \$4,628 per single family house sold, it only takes 3,890 sales. In 2007, nearly five times that amount -- 18,438 single family houses -- traded hands. Then there are condos, townhouses and other units sold that too would bring in transfer revenue. The city will collect millions more than it needs for affordable housing by unfairly taxing one segment of the population. You can bet it won't give it back.

It would be more equitable and transparent to instead increase the property tax by two or three percentage points. The transfer fee seems politically palatable, though, only because it's hidden. It defers payment and unfairly penalizes property owners at the time of sale.

The real issue is municipalities can't control their spending, as confirmed by a recent Canadian Federation of Independent Business study. It concluded spending growth in Alberta cities climbed 1.65 times higher than the population and inflation growth, between 2000 and 2006.

No one disputes the need for more subsidized housing. But to introduce a fee through the backdoor guise of helping the homeless is a sneaky way to feed the city's spending addiction. Council still has another opportunity to change its mind when administration reports back by February. Should it go to the province, it's one request Stelmach and gang would be justified in ignoring. The idea should be bulldozed immediately.

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