



Bob Aaron bob@aaron.ca

April 20, 2002

Tenant-homeowner tax inequity must stop

Renters in Ontario pay four times more property taxes

Most Ontario homeowners are likely unaware of it, but their property taxes are being heavily subsidized by tenants in multi-unit buildings.

For decades, most Ontario municipalities have taxed multi-residential tenants at rates higher than those for homeowners, condominium owners and tenants in smaller buildings.

Federal census data clearly show that homeowners typically have higher incomes than tenants. As a result, cities like Toronto are overtaxing those with modest incomes to subsidize those with incomes above, or well above, average.

The subsidy results from the difference between the residential and multi-residential tax rates. In Toronto, the residential city tax rate is 0.700544, while the multi-residential rate is 2.924268. These figures are the percentages by which property assessment is multiplied to come up with the property tax.

This inequity means a single mother living in a small, rented, one-bedroom apartment assessed at \$80,000 pays the same taxes to the City of Toronto (about \$2,339) as a wealthy executive who owns or rents a luxury condominium apartment assessed at \$334,000.

I doubt there's any sound policy reason why a Toronto tenant living in an apartment worth exactly the same as my house pays more than four times the taxes I do as a homeowner.

Even though it's technically the landlord who pays property taxes to the city, the burden of paying the landlord's expenses still falls on the tenant. Under Ontario's rent control regime, any tax increase may be added to the rent, with tribunal approval. Similarly, the full impact of any tax decrease must be passed to the tenant.

As a Toronto homeowner, I'm not unhappy at having my taxes subsidized by tenants, although I do feel guilty about it. But as a residential landlord and a director of a landlord organization, I believe it's just as unfair to impose higher taxes on apartment units as it would be to charge higher gas taxes to those who drive leased vehicles.

A democratic society cannot function equitably if one group is singled out for discriminatory, regressive or even punitive taxation. And even if I'm not in that group, I cannot in good conscience justify being the beneficiary of taxes that discriminate against others in society, just because I'm a homeowner.

If this sounds like my political views are well left of centre, they're not. In fact, they are quite the opposite.

Based on figures from 2000, the municipal component of property taxes on a \$125,000 home or owner-occupied condo in Toronto was about \$875 (excluding education taxes, which are equalized by provincial law).

The tax on an apartment of the same value was \$3,655.

And this over-taxation isn't new. In 1993, the 1,100-page report from the Fair Tax Commission noted: "On average, tenants are over-taxed relative to single-family homeowners." The report concluded: "We can see no justification for a distinction in tax policy on the basis of the type of tenure enjoyed by the occupant."

A democratic society cannot function equitably if one group is singled out for discriminatory, regressive or even punitive taxation.

The commission recommended that all residential property should be assessed on the same basis, whether it is occupied by an owner or a tenant. Similar studies in Toronto by Anne Golden and David Crombie also called for the elimination of punitive tax on multi-residential tenants.

In the fall of 1997, Metro Toronto council adopted the report of a housing panel and recommended that the newly amalgamated City of Toronto phase in equalization of property taxes.

Would this mean higher taxes for Toronto homeowners? Not necessarily, especially if the province steps up to the wicket to end the regressive taxation.

And if the property taxes do go up somewhat so my neighbours are not taxed unfairly, then so be it.

One Ontario municipality has already taken action to end discriminatory taxation. Following advice from a community advisory committee, Niagara regional council recently agreed there is no basis for discriminatory tax treatment of renters, and adopted a five-year strategy last May to reduce multi-residential assessments.

Manitoba used to tax apartments and rented condominiums at 1.5 times the residential rate and 2.2 times the rate of owned condominiums. A 10-year phase-out of the differential began in 1992 and is now complete. Tenants and homeowners are now taxed at exactly the same rate.

Similarly, Calgary recognized the inequities following the recommendations of a municipal tax review committee in 1996. City council adopted a program to phase out the remaining gap over three years. Last year, Saskatoon did the same thing.

In many highly urbanized jurisdictions, such as California, Massachusetts and British Columbia, there is no tax distinction on the basis of ownership.

In Ontario, the responsibility for setting rates for various classes of properties was dumped onto municipalities under the Fair Municipal Finance Act. The finance minister, however, announced on Feb. 5, 1998 that the multi-residential rate should be, at most, 10 per cent higher than the residential rate.

Ontario has long since passed the point where there is any justification for treating tenants and owners differently. All citizens should be treated, and taxed, fairly.

We need to begin phasing in the equalization of residential taxes. Whether we are owners or tenants, Ontario citizens deserve no less.