

Addendum to Previously submitted Letter to Law Amendments Committee.

To Whom It May Concern,

There have been many, many letters written thus far detailing the downside effects of the proposed 2% property tax levy on Nova Scotia non-residents, Nova Scotian society and Nova Scotia's economy. So many letters, that the potential financial and other implications of the proposed taxes must be clear. It should be obvious by now that more careful consideration of this policy, particularly by basing it on a detailed cost benefit analysis, is more than warranted. In this letter, therefore, I would like to address specifically the rationales (labelled a through d) that have been given by the government in interviews and in letters many of us have received from Ministers and MLA's as to what the objectives of the policy are. I will outline each objective and identify some of the problems with using a 2% property tax to achieve these objectives. I then offer some solutions that could be the basis for amendments to this legislation.

a) Designed to cool the overheated housing market by limiting non-Nova Scotia buyers

Using the 2% property tax to cool the housing market is useful only for purchases moving forward. Current residents who are not selling their properties can't help cool the market any more or less than Nova Scotia property owners. If you are trying to stop new purchases being made by non-residents there are other ways of going about it than to levy sledgehammer taxes. A brief moratorium, for example. But if you insist on using excessive taxation to help cool the market, you should not apply these taxes to current non-residents.

Furthermore, I would think the most problematic areas for the market being overheated would be in the urban and suburban areas, where most people hoping to move to Nova Scotia would be likely to find work within commuting distance. Can you actually show that limiting non-residential buyers would change the housing availability in those areas where housing is desperately needed? If so, perhaps you could consider limiting non-resident purchases going forward to those specific areas? Furthermore, there needs to be a clear mechanism to remove these taxes or a moratorium quickly. Housing markets, as I am sure you know, can crater and crater fast. This kind of tax overreach is likely to add to a downward spiral should the market begin to correct (or decline) on its own. Should the market cool too quickly, it is likely to leave at least some recent resident buyers underwater on their mortgages, and others forced to sell for less than they paid.

Solutions: apply the 2% taxes only to new non-resident buyers, or place a brief moratorium on new non-resident purchases. Make these changes targeted to areas where housing availability falls well short of demand, particularly in areas where housing shortages and new job opportunities coincide. Give the taxes an expiration date.

b) Encourage properties owned by non-residents to be offered for rent to make more housing available

This would be possible only if seasonal residents don't want to use their own homes. If their summer homes are no longer available to them because they are forced to rent them out, what would be the point of owning them? If this is being offered as a serious solution then all second homeowners in the province should be told to rent out their properties, as the 4% of homes owned by non-residents are unlikely to make a dent in housing availability. This is particularly true given that they are 1. frequently unsuitable for year-round occupancy, 2. too expensive for affordable housing and/or 3. too remote from work. Most of us did not buy our homes for income purposes. We bought them to spend time in Nova Scotia.

Solution: Keep this provision without the expectation that it will make any sort of a dent in the housing issues.

c) Raise revenue for affordable housing

This is not a question of simply “paying more”. The idea that a 2% tax on our property assessments can be seen as simply “paying more” is laughable. We are being asked to pay THOUSANDS more. Even a home valued at \$90,000 would have to pay \$1800 more each year. If you look at the budget proposal for housing, it is somewhere around \$25 million. An average additional tax payment of \$1500 per non-resident property would bring in \$40.5 million. How can you possibly justify a 2% tax rate - particularly in light of the fact that Nova Scotia residents with second homes are not facing any increase? Quite frankly, this proposal is a gross overreach. Lower the rate substantially and you will still have income for affordable housing

Solutions: Lower the rate substantially so the funds raised meet the budget objectives. Guarantee this money will go directly to meet the affordable housing issue. Include all second homes in addition to non-resident homes and lower the rate still further. Limit the cap on property assessment to primary homes. Property assessments on all second properties in the province would be uncapped (non-resident homes would NOT be considered primary homes).

d) To encourage non-residents to become full-time residents

This is disingenuous. It is unrealistic for anyone who still has children in school or jobs or businesses or significant ties elsewhere to live in NS full-time. People can't just randomly pick up and move permanently to a place just because they like it. The most likely population to make the choice to become full-time residents would be those over 60. Perhaps this would bring more income taxes into the province but would also lower the number of properties that currently are not capped for assessments. Also, it would increase the healthcare burden, possibly by a lot as this population ages. There are currently 88,300 people on the waiting list to get a family doctor, I doubt if you want to add many others to that, particularly an older group. I realize that, perhaps, one limitation in attracting new doctors to the province is the lack of affordable housing for sale or rent. But as a purely useless data point, I personally know one doctor who came to Nova Scotia to practice, had good accommodation, but had to leave because her husband (an engineer) couldn't get work. This single data point is included only to suggest that housing may not be the only reason we can't attract doctors or other workers.

Solution: stop citing this as an option for non-residents to avoid this tax. Look at other factors that limit movement into the province in addition to housing shortages, such as supply chain problems, job potential for spouses, or investors (including NS residents) purchasing properties for use as vacation rentals. Develop policies to address these additional limitations.

Your sincerely

Nicola Hubbard

Cc: Premier T. Houston, Finance Minister Alan McMaster