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From: Kingsburg Community Association <kingsburgcommunityassociation@gmail.com>
Sent: April 13, 2022 7:24 PM
To: Premier; Finance Minister; Economic Development Minister; susancorkumgreekMLA@novascotia.com; Office of the Legislative Counsel; Bignell, Laura M; gary@nsndp.ca
Subject: BILL 149 FINANCIAL MEASURES (2022) ACT
Attachments: taxlettertogovfinal13Apr2022.docx; taxletterfinal20Dec2021.docx; NS Government's Proposed Property Tax Changes_2021.pdf

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Premier Tim Houston

The Honourable Allan MacMaster
Minister of Finance & Treasury Board

The Honourable Susan Corkum-Greek
Minister of Economic Development and MLA for Lunenburg

Standing Committee on Law Amendments

The Honourable Iain Rankin
Leader of the NS Liberal Party

Mr. Gary Burrill
Leader of the NS NDP Party

Dear Premier, Ministers, Standing Committee on Law Amendments, Leader of the Liberal Party and Leader of the NDP,

Please find attached 3 documents from the Kingsburg Community Association (KCA) regarding the proposed property tax and deed transfer tax changes:

1. 13 April 2022 Letter from Debora Walsh, President, KCA

2. 20 December 2021 Letter from Debora Walsh, President, KCA

3. KCA Background Paper Proposed Tax Changes to Title Deed Transfer and Property Taxes for Non-Residents of Nova Scotia

Regards,

Debora Walsh

KINGSBURG | COMMUNITY ASSOCIATION

April 13, 2022

Premier Tim Houston
premier@novascotia.ca

The Honourable Allan MacMaster
Minister of Finance and Treasury Board
FinanceMinister@novascotia.ca

The Honourable Susan Corkum-Greek
Minister of Economic Development and MLA for Lunenburg
edminister@novascotia.ca
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Standing Committee on Law Amendments
Legc.office@novascotia.ca

CC:

The Honourable Iain Rankin
Leader of the NS Liberal Party
laura.bignell@novascotia.ca

Mr. Gary Burrill
Leader of the NS NDP Party
gary@nsndp.ca

RE: BILL 149 Financial Measures (2022) Act

Dear Premier, Ministers and Standing Committee on Law Amendments,

I am writing on behalf of the Kingsburg Community Association (KCA) representing over 80 households in the community of Kingsburg, Lunenburg County. The KCA advocates on behalf of all the members of our community (both residents and non-residents) to improve and strengthen the community.

Ministers claim that the impacts of the measures will improve the affordability of housing opportunities facing Nova Scotians. This seems unlikely, unless the tax measures are to collapse housing asset values across the Province, and that seems unlikely. Pressures on housing affordability in Nova Scotia are greatest in the bottom half of the regional housing market. You really need to spell out who, in relation to housing affordability, will gain, when and where from the proposed Bill.

In December 2021 we wrote to the Ministers of Finance & Treasury Board and Economic Development identifying concerns with the proposed tax changes and raising questions for the government to consider in its deliberations regarding the policy proposals. That letter included a background paper prepared by Duncan Maclennan, a housing economist and KCA Board member, to inform our Board and membership about the proposed changes. We are aware that many individuals, groups and organizations have expressed the same and related concerns. (letter and paper attached to email)

The economic analysis underpinning the beneficial impacts of the Bill claimed by the Province is seriously flawed. We are concerned that Bill 149 shows little understanding of who the non-residents are, their strong connections to the Province and the benefits that they bring in terms of local jobs, through their direct spending and its associated multiplier effects on resident jobs and incomes, as well as roles in supporting significant business start-ups.

It is clear that if the tax policy succeeds and drives out non-resident owners with minimal average service demands and replaces them with new, full-time residents paying existing taxes but with much greater service demands that there will be no net benefit to the budget of the Province.

Frankly, the government does not seem to recognise and value the diaspora of loyal and connected Nova Scotians, who don't stop being Capers or Bluenosers when they are currently earning their living in Toronto or Calgary but aiming to come back one day. They may be your best ambassadors.

We are convinced that the government does not understand these concerns and has not adequately modelled the short- and long-term impacts on individuals, families, communities and businesses of these tax changes.

We are concerned there will be no net benefit to Nova Scotia if non-residents are compelled to leave the province significantly reducing investment and expenditures in rural communities. Non-residents are a vital part of our and other communities.

We have identified below the concerns raised in our earlier letter and some additional considerations:

- What evidence and analysis are these policy changes based on?

- What will be the short- and long-term impacts on housing supply and affordability in local housing markets and the overall provincial economy?

- What are the economic and societal impacts of discouraging non-resident, former Nova Scotians and others from having new or existing secondary homes in the province? Will this reduce their possible transition to permanent residency at some point?

- What is the tax impact on resident Nova Scotians' property succession to non-resident children/heirs?

- What are the longer-term impacts on the property tax base and revenues?

- What will be the financial impacts on small businesses and local governments in towns and rural areas which have benefitted from new construction and renovation of homes?

- Will the proposed changes disproportionately impact longstanding, non-resident owners whose past investment has been significant in reinvigorating towns and villages?

- Will the impact on non-resident commercial rental property owners reduce the supply of much-needed affordable rental housing, especially in Halifax?

- What are the impacts on Nova Scotia's image as welcoming returning Nova Scotians and others to the province and as a desirable location to live and work?

We believe these questions must be addressed before the Bill moves to final approval in order that law makers can make informed, effective policy decisions and act in the interest of all Nova Scotians.

We urge you to consider how these changes will affect those directly impacted by the changes (non-resident property owners and purchasers) as well as all Nova Scotian citizens and taxpayers over the short- and long-term.

Respectfully,

Debora Walsh
President, Kingsburg Community Association
kingsburgcommunityassociation@gmail.com

December 20, 2021

The Honourable Allan MacMaster
Minister of Finance and Treasury Board
FinanceMinister@novascotia.ca

The Honourable Susan Corkum-Greek
Minister of Economic Development
edminister@novascotia.ca

Dear Ministers,

I am writing on behalf of the Kingsburg Community Association (KCA) representing over 80 households in the community of Kingsburg, Lunenburg County. The KCA Board and membership have a number of questions regarding the government's proposed tax changes affecting non-resident property owners who do not pay income taxes in Nova Scotia. Our concerns relate to the policy objectives and short- and long-term impacts of the changes. Our questions include:

- What evidence and analysis are these policy changes based on?
- What will be the short- and long-term impacts on housing supply and affordability in local housing markets as well as the overall provincial economy?
- What are the economic and societal impacts of discouraging non-resident, former Nova Scotians and others from having new or existing secondary homes in the province? Will this reduce their possible transition to permanent residency at some point?
- What are the longer-term impacts on the property tax base and revenues?
- What will be the financial impacts on small businesses and local governments in towns and rural areas which have benefitted from new construction and renovation of homes?
- Will the proposed changes disproportionately impact longstanding, non-resident owners whose past investment has been significant in reinvigorating towns and villages?
- Will the impact on non-resident commercial rental property owners reduce the supply of much-needed affordable rental housing, especially in Halifax?
- What are the impacts on Nova Scotia's image as welcoming returning Nova Scotians and others to the province and as a desirable location to live and work?

Attached you will find a background paper prepared by Duncan Maclennan, a housing economist and KCA Board member, to inform our Board and membership about the proposed changes. The paper is the basis for the questions identified in this letter.

We believe that answers to these questions are necessary to support transparent, informed and fact-based decision-making. We urge you to consider how these changes will affect both those directly impacted by the changes (non-resident property owners and purchasers) as well as all Nova Scotian citizens and taxpayers over the short- and long-term.

Respectfully,

Debora Walsh
President, Kingsburg Community Association
kingsburgcommunityassociation@gmail.com

[redacted]

BACKGROUND PAPER | Duncan Maclennan

Proposed Tax Changes to Title Deed Transfer and Property Taxes for Non-Residents of Nova Scotia

1. Taxing Changes!

The government of Nova Scotia has indicated that it wishes to change the tax treatment of properties purchased and owned by non-residents who do not pay income tax in Nova Scotia. The proposals for change, outlined in government papers and debates, are very general, non-transparent and unaccompanied by any evidence of their likely incidence and impact on the Nova Scotia economy. The next Provincial budget debate is scheduled to take place Jan 20 and it is possible that important decisions about how and when tax change will proceed may be taken at that meeting.

Members have asked KCA to provide relevant information about, and more detailed understanding of, what the changes might mean in terms of long-term impacts on the community and the province.

This paper, in Section 2, notes broad processes of recent housing market changes in Nova Scotia, and identifies the key housing issues concerning policymakers. The tax changes proposed by the Government are presented in Section 3. Section 4 briefly outlines the issues likely to arise in the Kingsburg context. The concluding Section is a list of questions that government should address to inform policymakers and citizens about future taxation of non-residents owning property in Nova Scotia.

2. Context and Issue

Nova Scotia: Growing at Last!

Prior to the onset of Covid-19, population, and house prices, had been increasing steadily in all of Nova Scotia's counties, except one, since 2016. Peaking numbers of retiring households with housing assets in metropolitan Canada have fuelled increasing numbers of households returning, full- or part-time, to their provinces of origin and family connection.

A second significant stream, increasing over the last decade, has been an increased flow of younger, often well-qualified households. They have found that the rapid increase of metropolitan house prices has inhibited their shift into owner-occupied housing and ability to develop family-oriented living. In consequence, they have shifted to smaller cities and well-serviced towns in rural areas. Good quality, affordable housing has become an important asset for Nova Scotia in attracting new talent. Though this group may be the main source of upward price pressure in Halifax and the main towns of Nova Scotia they will, on becoming residents, be excluded from property tax surcharges.

Covid-19 has significantly increased inflows out of metropolitan cores and into towns and rural areas with marked price increases through 2021. In 2020, NSAR MLS® real estate sales increased dramatically with 13,923 homes sold (an increase of over one-third). 2021 has been a record-breaking year of sales and rental markets were also pressured. It must be stressed that these evident housing market pressures were despite the near disappearance of the inward flow of international immigrants (also increasing 2010-19) and sharply reduced inflows of students from outside of Nova Scotia and Canada. Nova Scotia has, in essence, become more competitive in attracting households with human capital and spending power.

The pandemic has reinforced rather than initiated the flows involved. The environmental qualities and community strengths of Nova Scotia have attracted the interest of rising numbers of households looking for lower density and greener lifestyles. It is likely that the demands for more local lifestyles, shaped by environmental preferences and reducing daily household travel, will continue after a 'new normal' of managed Covid-19 and it will be facilitated by the work practices that individuals, managers and firms, and governments, have developed since March 2020.

Arguably it is well-delivered housing supply programmes and not differential property taxes that will sustain that growing flow of new Nova Scotians. Individuals and firms do not usually shift locations based on a single factor, such as house prices or property, but on the net advantages that a move will bring. Increasingly the 'net advantage' being considered is not just to a household, but to a more extended family including parents, grandparents and siblings.

Seasonal homes play an important role in holding the past diaspora of Nova Scotia families together and in extending the sense of the Atlantic community across Canada as a whole. Family connections, and wealth too, are important in selecting new residential locations. The Province of Nova Scotia, having faced the problems of small town and rural decline for almost a century now appears to have a significant strategic opportunity to capture this new Wave of Canadian interest in its Atlantic coast. It is important than any tax policy changes for revenue today do not lose that opportunity for a more diverse and growing Nova Scotia tomorrow.

Growth Downsides

Over the last year house prices in Nova Scotia (according to RBC estimates) have increased by around a fifth, and at roughly the same rate as Ontario. Forward forecasts to the end of 2022 suggest a much lower uplift of 4 percent as monetary policy gradually raises mortgage rates.

Rising prices and transaction volumes are good news for existing property owners but bad news for younger households currently renting but intending to buy. Where housing demand rises more sharply than supply there are varied government policy responses. Tightening rent controls or shaping taxes to favour local as opposed to new arrivals are inherently short-term rationing measures. They do not resolve long-term supply deficits; the resolution is to augment housing supply by facilitating development through faster planning, better infrastructure provision and active, supportive provincial housing policies. Long-term solutions require the latter 'growth accommodating' rather than short-term 'controlled sharing' policy approaches. The newly-elected Government of Nova Scotia appear to have leaned towards short-term, palliative measures rather than supply augmenting strategies in what they see as measures designed to make housing more affordable and increase supply. They might miss the Wave.

3. Changing Taxes of Property Transfers and Use

A key element of the Government's 'housing' strategy, and arguably its tax revenue strategy, has been to propose two, rather loosely-defined property tax measures. They are both aimed at non-residents - those who own property in Nova Scotia or who are future purchasers –who do not pay income tax in Nova Scotia.

The proposals were outlined in the government's election campaign. They noted that, according to Statistics Canada, estimates for 2018 indicate that non-residents own 3.9 per cent of Nova Scotia's housing stock (excluding purpose-built multifamily rental properties) and that this rate was higher than in either British Columbia or Ontario (although ownership rates by overseas owners are lower). There was then expressed a vague concern, unbacked by evidence, that many properties are being purchased by non-residents, who may or may not plan to spend time in those properties. Whilst the claim was vague the policy recommendation was not: "We will impose a new tax and property levy for buyers who do not pay income tax in Nova Scotia. These fees will limit purchases from non-Nova Scotia income taxpayers and, for those who do purchase, will bring in an added regular stream of revenue for the province." Again, the evidence to support these last two claims of impact was missing and is scrutinized below.

Platform quickly became policy and the September 14th mandate letter from the Premier to the new Deputy Premier and Minister of Finance, Allan MacMaster, gives him responsibility to develop a timeline and proposals to:

a) Implement an additional, provincial deed transfer tax on any Nova Scotia property purchased by individuals who do not pay taxes in Nova Scotia (a once-off tax on new non-residents purchasing property)

b) Impose a levy on every non-Nova Scotian taxpayer held property in Nova Scotia of an additional $2 per $100 of assessed property value (an annual additional property tax levy on the total stock of non-residents of Nova Scotia: ReMax note that the extra annual tax for a non-resident in a Halifax waterfront apartment, at summer 2021 values, would mean an additional $14,000 in property taxes).

The letter did not provide a timeline for implementation, and little in the way of firm details and evidence-based policy analysis has emerged. However, there has been the rapid emergence of a quite heated debate about the transparency, fairness and likely efficacy of the taxes proposed.

4. KCA Commentary

Members of the KCA, NS residents and non-residents alike, have asked the KCA to prepare this background note to inform their thinking, either because the new taxes will have a major direct incidence upon them (who formally will pay the taxes) or they will be adversely impacted by the consequences of the taxes.

It is important for policymakers and voters to have a clear understanding of the distinction between the **incidence** and **impacts** of tax. The **initial incidence** of a tax is defined by those who formally pay the tax (in this instance, non-resident property owners in Nova Scotia). It is usually relatively easy to identify. However, the final impacts of a tax are often complex. When taxes are imposed they may shift either, or both, the supply and demand for a good or asset. For example, where property taxes are levied on owners in markets that are characterized by fast and flexible supply responses (that quickly remove shortages) then owners are unable to pass the tax on to tenants. However, in rental markets with shortages, it is easy for landlords to pay the tax (incidence) but then raise tenant rents to cover the extra tax costs (impact). Tight markets allow those incurring initial incidence to shift the real burden of taxes to consumers. Non-resident commercial landlords, known to be of some importance in pressured Halifax, may then (depending on whether rent controls are in place) eventually drive up the cost of housing for younger and middle-income households. Non-resident owners who let their homes to holidaymakers for significant parts of the year in popular localities, such as the South Shore and Cape Breton, will respond by raising the cost of holidaying, and staycations, in Lunenburg and Inverness Counties.

Where suppliers and demanders change their behaviours in relation to the new taxes there may then be quite complex adjustments that reduce or entirely remove the gains in housing affordability and supply mentioned in Government debates and that have potentially wider negative economic impacts for the province.

The information available to homeowners and voters In Nova Scotia does not yet make it clear how the Government have assessed the impacts and balanced revenue raising incidence effects from longer-term economic benefits. If the broad tax measures proposed are implemented, then they may raise tax revenue in the short-term. That gain may quickly atrophy if Nova Scotia transaction flows fall and prices stabilize. It is not a clear logic chain in the new proposals running from title deed or property tax increases to more affordable housing and increased housing supply. And the balancing of increased tax revenue versus downside effects on economic activity in the province is not at all evident in the policy discussion within the Government.

In what follows below questions are posed about whether the proposed changes will raise revenue in a sustained fashion, improve housing affordability and enhance provincial economic development. Governments owe taxpayers transparent statements on the revenue potential, incidence and impact of the tax changes they propose. Outside of Nova Scotia, in the places and for the people whom the Government reaches in its Connections strategy, potential investors could see the proposed tax changes (at least until specific, well-argued tax plans are produced) as simply a tax grab on those who want to restore or make some, if not yet a full, immediate residential connection to Nova Scotia.

Debates about taxes hinge around disagreements on wider impacts and on the fairness of incidence (initial and final). The KCA does not propose to take a collective position at this time on whether the tax measures proposed are likely to be beneficial. But we can pose a series of questions about the likely impacts of the tax in relation to the goals vaguely outlined by the government.

5. Questions for Policymakers

1. Policymakers have widely referred to tax measures in other jurisdictions. Was there a systematic review completed on what our competitor provinces do and whether additional surcharges have achieved desired housing affordability and supply outcomes? Is there any conclusive evidence that the widely-reported additional surcharges for non-resident owners in Toronto and Vancouver have assuaged price increases and improved affordability? Subsequent house price and affordability measures suggest otherwise.

2. Will the tax changes discourage non-residents from buying seasonal homes as a step towards residence (gradually increasing their Atlantic involvement)? Will the Nova Scotia diaspora of the 1960s to the 80s be discouraged from coming home?

3. If the tax changes reduce external demand for Nova Scotia properties, is the income/wealth distribution in Nova Scotia likely to support current house price and land values in the upper decile of the market? Could the value of the residential property tax base, in consequence, fall and thereby reduce property tax revenues?

4. Official data suggest that non-residents currently own 4 percent of the NS housing stock. In the Kingsburg area it is around half of households. How geographically concentrated is the non-resident ownership pattern? Will concentrated effects induce potentially more damaging impacts on the smaller towns and the rural economy? A blip for Halifax may be a blot for jobs in Inverness County.

5. What proportion of current non-residents have constructed the homes they live in (augmenting supply), and strengthened the economic base of places before the onset of Covid-19 and the price rises of 2021?

6. The imposition of the additional annual property tax will have impacts on older households who bought substantial seasonal homes in earlier stages of their

earnings cycles. Will a $10,000 additional tax (not least when combined with more general revaluations and tax increases proposed) on a property valued at $500k be a real disincentive to staying in the province? Is that an intended effect of the tax?

7. If the property taxes induce existing non-resident owners to sell their homes that are then purchased by thriving Nova Scotians as holiday homes, how will this meet any of the Government's goals to increase affordable housing supply for Nova Scotians?

8. What will be the employment effects of reducing external demand for residential property in Nova Scotia? There are significant multiplier effects from housing investment arising from construction, renovation, sales, white goods, etc. How have the Government of Nova Scotia estimated these effects, what is their value to the economy and how will they be impacted by the tax changes?

9. Will non-resident owners of commercial rental property in Nova Scotia maintain their NS businesses? If new rental investors become more difficult to attract, how will this inhibit supply, especially in Halifax?

10. Will the image of Nova Scotia as 'open for business, welcoming seasonal returning Nova Scotians and hospitable to all, disappear? Do these proposed tax changes negatively impact the image of Nova Scotia held by those very parties who the Government wishes to attract to the province? What does this mean for the future prospects of all Nova Scotians?

President, KCA