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To: Office of the Legislative Counsel
Cc: Premier
Subject: Submission to Committee re Non-Resident Property and Transfer Taxes Introduced by Bill 149
Attachments: GOODMANS-#7263330-v1-GOODMANS-#7263203-v1-Non-Resident_Submission_on_Bill_1491.pdf

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Dear Members of the Law Amendments Committee-Please accept this letter as my submission to the Committee for your consideration as you deliberate on the merits of the proposed “Act to Provide for a Deed Transfer Tax and a Property Tax Respecting Non-residents of Nova Scotia”.

Thank you for your consideration.

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***** Attention *****

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Submission on Bill 149, Part IV, Section 10: “An Act to Provide for a Deed Transfer Tax and a Property Tax Respecting Non-residents of Nova Scotia”

April 13, 2022

Dear Members of the Law Amendments Committee,

Please accept this letter as my submission to the Committee for your consideration as you deliberate on the merits of the proposed “Act to Provide for a Deed Transfer Tax and a Property Tax Respecting Non-residents of Nova Scotia” (“Bill 149”).

By way of background, my husband and I are Ontario residents and purchased a home in the Kingsburg area earlier this year. We are not real estate speculators and did not buy this property for investment or long or short term rental purposes. We bought this home for recreational use because we enjoy the outdoors and Nova Scotia’s beautiful scenery and rugged coastline and its relaxed and friendly atmosphere. However we are not in a position to become full-time residents at this time due to family and work commitments in Ontario. Accordingly, the proposed increase in the rate of property taxes applicable to properties owned by non-residents of Nova Scotia will have a significant financial impact on us going forward.

Our concerns regarding the impact of the enactment of Bill 149 in its current form are set out below:

1) Are the Proposed Property Tax Increases an Effective Way to Expand the Housing Supply in Nova Scotia?: The 2022-23 Nova Scotia Budget commentary indicates that the significant increases in annual property taxes on properties owned by non-residents of Nova Scotia and the property transfer tax payable on the transfer of property purchased by non-residents (collectively the “Tax Increases”) were introduced to help make housing more available and attainable for Nova Scotia residents. House prices have been escalating across Canada for a number of reasons: lack of supply of suitable housing units in high demand areas due to restrictive zoning policies and rising home construction costs; low mortgage interest rates; the failure of governments at all levels to implement policies that would meaningfully increase the supply of affordable housing in a timely way and the demand created by ongoing high levels of immigration into Canada, particularly into urban areas. As noted in a recent article in The Globe & Mail, there is no publicly available data showing foreign buyers played a major role in the pandemic’s real estate boom.

So how do the Tax Increases address the factors noted above and make housing more attainable and affordable for Nova Scotia residents? The Tax Increases will be levied on a relatively small group of property owners; the Finance Minister, Allan McMaster, indicated in an interview on April 8th that there are approximately 27,000 properties owned in Nova Scotia by non-residents and that the Tax Increases are expected to generate \$81 million. The housing initiatives outlined in the Budget amount to approximately \$25 million. One might well conclude that the balance of

the amount collected from the Tax Increases will be used to fund other provincial priorities such as health care and education rather than addressing Nova Scotia's housing crisis. Or is the government's intention to make the ownership of residential property in Nova Scotia so expensive for non-residents that they are forced to sell their properties at a discounted value to residents or lease them to full time residents? As many of these properties are recreational and seasonal in nature and are located well outside of high demand urban areas such as Halifax, it is difficult to see how this initiative will address Nova Scotia's housing issues in any meaningful way. Even the Finance Minister acknowledged that it was an open question as to whether the Tax Increases would result in non-resident property owners selling to local interests and making more housing supply available and that it was unclear whether the new taxes would help ease skyrocketing house prices.

2) Tax Fairness Issues: Equity or fairness is critically important when evaluating a tax. Broadly speaking there are two basic principles of tax equity—the benefits principle and the ability to pay principle. Under the benefits principle those who benefit from a service that is paid for by a tax should be responsible for paying the tax. Further, the tax paid by an individual should approximate the cost of the benefits received. The ability to pay principle ignores these considerations and instead judges equity based on the degree to which the amount of tax a person pays is aligned with their ability to pay. In other words, those with higher income or wealth (as reflected in the value of their property in the case of property tax) should pay more tax while those with lower income or wealth should pay less tax. The Tax Increases are not equitable or fair when assessed against either principle. Non-resident property owners generally do not benefit from provincial health, educational or other social services and non-residents make fewer demands on municipal services given the part-time nature of their residency. On the ability to pay principle, it is difficult to understand why it is fair for a non-resident with a property equivalent in value to the property of a resident (say a recreational property on an adjacent lot) to pay an additional \$2 on each \$100 of the property's value. Each owner presumably has the equivalent ability to pay property taxes if the tax is based on property values.

3) Economic Impact on Nova Scotians: We fully intend to shop locally for goods and services in connection with our new home and support the local economy when in Nova Scotia. However, like most people, we are on a budget and will be spending less in Nova Scotia given that we are facing a significant ongoing property tax increase. Our plans to do some renovations on our new home are now on hold. Other non-residents that we know are taking similar actions. The government may not view this as significant but residents in the local community may well feel differently, particularly in rural areas. Also, has the government considered the impact of the Tax Increases on residents who are planning to sell their homes to fund their retirement or are required to move for other reasons? Any non-resident buyer, if prepared to consider a purchase in Nova Scotia at all given the treatment afforded to non-residents by the current government, can reasonably be expected to reduce the purchase price offered to reflect the significant financial impact of the Tax Increases. The reduction in house prices may make housing more

affordable for Nova Scotia residents in certain areas (which may not be where the housing is needed) at the resident seller's expense.

I would strongly urge the government to find a more equitable and effective way of achieving its goal of making housing of the type and in the locations needed more available and affordable for Nova Scotians.

Yours truly,

Jean Anderson

Toronto, Ontario

