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From: Paul Hughes [REDACTED]
Sent: April 12, 2022 4:31 PM
To: Office of the Legislative Counsel
Subject: NS Non-Resident Tax
Attachments: Submission on Bill 149[1].docx

**** EXTERNAL EMAIL / COURRIEL EXTERNE ****

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Good afternoon,

I have already sent multiple letters to the premier and finance minister on this topic, as well as the local MLA for the area in which my rural NS home is located. I expect the committee has already received many letters from similarly situated residents, so I will not attempt to write a comprehensive note on the matter. However, here are three items I believe are worth the amendments committee understanding as it considers this Bill:

1 - A short series of clips from an email exchange I had with my local MLA. I'll admit this is a rather emotional matter for me, as it is for many others who consider ourselves Nova Scotians:

Sons and daughters of Nova Scotia who spend 4-6 months a year in the province are not 'speculators or investors' as the province of Nova Scotia now seeks to frame us (no more so than anyone else who owns a home is 'investing' in their future). We are Canadians, like you, that have every right to move freely among the provinces and to own homes in the country we live in...are you taxing Nova Scotian based snowbirds who leave the province to head down to Florida in the winter, underusing their homes in NS? Are you taxing HRM residents who have a south shore cottage? No - you are not (nor am I suggesting you should) You are going after non-residents of the province that cannot vote for reasons that are either misguided or strictly for political points (I would say likely both).

...

*I could go on but what's the point? Leaving aside all of its illegality and overreach, etc (which we will pursue relentlessly), this law has also just personally taken my legs out (and others like me). That is not the point - this is not a woe is me - but as someone who has literally done everything right and finally, after paying off the 100k I had to borrow to go to law school through a GRIND in this busy city, scraped together a downpayment on a house in rural Lunenburg county (the only house I own - or the bank owns, rather, through a mortgage that now must be under water thanks to this proposed tax), next to my resident and aging parents, where I have begun spending 4-6 months a year, **I cannot afford to sell and I cannot afford to stay**. Who will I sell to in an amount that will satisfy the outstanding mortgage? Which of the skilled workers that want to live in Halifax that you are trying to attract will buy or rent my rural one bedroom home almost 2 hours from Spring Garden Rd. up on a hill without a paved driveway, mailbox or garbage pickup for an amount that will come close to satisfying the outstanding mortgage? None will. How will I pay the 5 figures in EXTRA annual taxes on the property? I cannot. I am not rich. I am not a speculator. I am a Nova Scotian - born and raised - and a Canadian. As Nova Scotian and Canadian as you.*

This cannot stand.

2 - I am fully in support of many of the letters I have read written to the premier and finance minister on this topic. I hope you have received them all. One which particularly resonates, which I believe you have already received, is attached hereto. I add my voice to these sentiments.

3 - I truly believe that the legislature will come around prior to enacting the legislation. I believe the Province understands the harm this punitive and discriminatory tax will do. However, in the event that this is not the case, a significant group of other residents and i have engaged with legal counsel and are putting together what we believe is a strong case that these new tax laws amount to a clear Charter violation. We intend to pursue it as necessary as, for many of us, there is no other choice. I cannot afford to sell and I cannot afford to stay if the laws come into effect...though I would very, very much prefer to stay.

Thank you,

Paul Hughes

Lunenburg County | Toronto

Dalhousie University | Queen's University

Halifax West High School | Clayton Park Junior High | Rockingham Elementary | Mount Saint Vincent Pre-School

Son of Dalhousie graduates now also living in Lunenburg County full time

Grandson of Brits who moved to the Province of Nova Scotia in the wake of WW2

NOVA SCOTIAN | CANADIAN

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”

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.”

I do not believe this proposed Act passes the minimum standards of policy analysis and review one should expect in developing government legislation. Specifically, are the proposed measures likely to achieve their stated aim of increasing the supply of affordable housing in Nova Scotia. Further, is there any analysis of the risks posed by these measures, given the highly discriminatory nature of the proposed tax, with respect to reduced spending in communities by non-residents, less business investment in Nova Scotia because of the risk of discriminatory taxation, negative reactions by other provinces to this discriminatory tax grab on their residents, a negative hit to the “welcome to Nova Scotia” brand, and the negative impact on tourism and out-of-province students.

This lack of analysis was confirmed on April 8, 2022 by none other than the Minister of Finance who said “There is no way to concretely know for sure until this is implemented”. But that is simply not correct. There is an enormous amount that analysis can tell us about whether this proposed tax will achieve the government’s stated aims of more affordable housing for Nova Scotians, and what its unintended consequences are likely to be.

As someone who spent many years as the federal Deputy Minister of Finance, my view is that discriminatory taxation is both bad in principle and bad in practice. And when it is introduced without grandfathering, without offsets and at punitive levels, the negative impacts are only compounded.

The first response of the recipients of the new tax will be to pay for the tax by shifting spending from local businesses, restaurants and charities to the government’s coffers, money that will not be recycled back into these businesses by the government. Net loss to all except the government. The next response is to abandon property upgrades as this would only increase the non-resident tax bill. Net loss to local contractors and businesses. The next response is strategic: do the non-resident property owners sell and move to more welcoming provinces. Assuming most non-resident property owners have vacation properties, and few of these properties are in the major population centres of Nova Scotia, it is highly unlikely that this will increase the supply of affordable housing where it is most needed in the province, although it may increase the availability of second residence vacation properties. No gain to Nova Scotians seeking more affordable housing which is the government’s stated policy goal.

The other missing element of analysis of this proposed measure is that it pretends to fix a Canadian problem with a Nova Scotia solution. Housing prices are soaring all across Canada, and housing affordability is an issue in Toronto, Vancouver and Ottawa just as it is in Halifax. The factors include: a surge in inflation (which only the Bank of Canada can really tackle through higher interest rates), a boost in population growth due to immigration and inter-provincial migration, of which Nova Scotia has been a beneficiary, and this leads to long term growth (where increases in the supply of housing are the key means to attenuate these pressures on housing prices), and the shock of supply chain disruptions and

labour shortages (which are constraining the pace of construction of new housing supply). No where in this list of housing affordability factors and policy responses does anyone, other than the Government of Nova Scotia, suggest that a large tax on recreational housing held by non-residents is the smart way to solve the national housing affordability problem.

The law of unintended consequences bedevils poorly thought-out policy initiatives. Is an out-of-province business, having just witnessed this discriminatory tax measure, going to plan for the possibility of higher corporate taxes on non-resident businesses and re-deploy their expansion plans to another province that does not present these risks? Would students from other provinces, who are crucial for the viability of the higher education system in the province, fear higher tuition for non-resident students and go elsewhere in Canada? In this slap to the spirit of the Interprovincial Trade Agreement, which Nova Scotia signed, would provinces like Ontario with a considerable number of their residents bearing this discriminatory tax, seek reciprocity on Nova Scotia and Nova Scotians? How might the influential New York Times, which has been an advocate of Nova Scotia, extolling its pandemic policies and its welcoming population, characterize this measure and their view of the province now? In short, do Nova Scotians really want to follow the Minister of Finance's approach of "time will tell" to the management of these considerable risks?

As Bill Black said in a perceptive article in the Chronicle Herald on April 9: "This proposal misses targets it should hit and hits targets it should miss." He goes on to say that the problem of affordable housing needs thoughtful consideration, and that this proposal should be postponed and undergo careful study of its likely impacts, risks and whether it is fit for its intended purpose. I agree. Other options should also be considered as part of this study of these measures, and I suspect a better path forward for all will be found elsewhere.

But the visceral reaction to this proposal has also demonstrated the deep connections to Nova Scotia that many non-residents feel, and how much they are hurt emotionally by its implications of separateness. I am a non resident homeowner whose family traces its Nova Scotian roots back several hundred years, as does my wife's family. Our place in Nova Scotia is more than a recreational property, it is an expression of multigenerational bonds to the people, the culture, the sea, the shared stories of our past. These ties are something that the province has wisely tapped in the past, not taxed.

That you for your consideration of my perspectives on the "Act to Provide for a Deed Transfer Tax and a Tax Respecting Non-residents of Nova Scotia.

Sincerely yours,

Kevin Lynch, Hacketts Cove, Nova Scotia and Ottawa, Ontario

The Honourable Kevin G. Lynch, P.C., O.C., PH'D., LL'D.

Former Clerk of the Privy Council and Secretary to the Cabinet, Government of Canada

Paul Hughes

Excerpts from

**Voluntary Planning Task Force Final Report – December 2001
Non-Resident Land Ownership in Nova Scotia**

On April 10, 2000, the Government of Nova Scotia introduced Bill 42 that included measures to enable municipalities to levy additional property taxes on non-resident property owners. This legislation received Royal Assent on June 8, 2000. However, the section dealing with non-resident land ownership was not enacted, as the issues were not as straightforward as originally envisioned. Cabinet then called upon Voluntary Planning to hold open discussions, conduct additional research, and provide recommendations on this topic.

During the months of April and May 2001, we held seventeen widely publicized community meetings throughout the province. We revealed the most current statistics on non-resident land ownership and held frank discussions with over 455 attendees. Two hundred and twenty six individuals chose to send us written submissions, while another 128 opted to sign a single petition. In the months following release of our interim report on September 27th, we received another 87 responses, half of which were submitting their comments for a second time. In October we also presented

The Task Force has not altered its position on the question of an extraordinary property tax on non-resident landowners. As stated before, we agree unanimously that the government should not pursue this option, as it would neither fairly, nor directly, nor adequately address the real issues of overall land stewardship raised by Nova Scotians. Accordingly, we advise the provincial government to repeal measures within Bill 42 that provide for the non-resident tax. Future governments, if they so choose, should have to bring such measures before the people, not simply proclaim a bill already on the books.

In summary, we have a lot of work to do to get our own house in order before drawing what may turn out to be unsupportable conclusions relative to non-resident activity in our province. Such a narrow approach to addressing our overall needs, in the absence of a planning strategy and the absence of any kind of trend statistics comparing local development to external factors, is highly premature, to say the least. Proposals which would have us endorse legislation which singles out non-residents in the absence of any professional study relative to the positive impact these investors have on our overall and individual economic well being is neither judicious nor prudent at this time. Furthermore, and of equal if not greater importance, as we have pointed out before, targeting non-residents in this way will not even come close to providing the solutions we require as we face up to internal challenges of our own making. There are far more constructive roads to travel to accomplish our desired goals. The time to face these realities is now.

LIST OF RECOMMENDATIONS

1	Extraordinary Taxation on Non-Resident Land Owners Do not pursue an extraordinary tax on non-resident land owners.	See report page 17
2	Possible Limits on Acreage Owned by Non-Residents Do not pursue limits on the amount of land owned by non-residents.	See report page 19

Rationale for Recommendation

In our deliberations, the Task Force concluded that an extraordinary tax on non-residents would neither fairly, nor directly, nor adequately address the many important land use issues raised by Nova Scotians.

Nova Scotia gains both culturally and economically from the presence and investments made by non-resident land owners in our communities. We should not discourage such a valuable and positive influence on our economy and society.

Therefore, as mentioned before, while recognizing the very real concerns raised throughout this process, the Task Force believes that the solution to access, land use, and planning will not be resolved by imposing a tax on non-resident land owners of Nova Scotia property.

Accordingly, we advise the provincial government to repeal the measures within Bill 42 which provide for the non-resident tax. Future governments, if they so choose, should bring such measures before the people, not simply proclaim a bill already on the books

CONCLUSION

Numerous countries deal with non-resident land ownership in a variety of ways. Some have established a special tax while others impose limits on the amount of property that can be owned. We found that the reasons for taking these steps differ markedly from case to case, and most have no bearing on the issues we face in Nova Scotia.