



April 2011

# 2011 Election Bulletin

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## *The federal political parties' positions on tax policy*

### **CFAA's position on tax policy**

CFAA urges the Federal Government to improve the tax treatment of rental housing. Since rental housing is a very competitive business, income and capital gains taxes on rental properties are ultimately paid by renters through their rents. The taxes charged should be reduced on the basis of fairness to renters, and to increase rental affordability and rental supply. CFAA recommends the federal government:

- Allow tax deferral on the sale and reinvestment in rental property.
- Reduce the rate of inclusion of capital gains on rental housing to adjust for inflation.
- Treat rental housing income as active business income.

### **Conservative Party**

In principle, the Conservatives are in favour of lower taxes. They intend to proceed with the scheduled corporate tax cuts. The Conservatives reduced the GST from 7% to 5% in two steps. The Conservatives say that they will not raise the taxes on Canadian consumers and families, or on the businesses that create jobs for Canadians.

While this is not stated in their election platform, the Conservatives have said that they want to allow tax deferral on sale and reinvestment as soon as the “fiscal and economic situation allows”.

### **Liberal Party**

The Liberals implemented many of the tax increases that have worsened the tax treatment of rental housing over the last 35 years. They say they will roll back the scheduled corporate tax cuts. The Liberals opposed the reduction of the GST.

The Liberals say that they will cancel the Harper government’s corporate tax cuts and limit tax breaks on stock options. They say that their election platform does not require an increase in the GST/HST, personal income tax or small business tax rates.

Some Liberals say they are in favour of a tax deferral on sale and reinvestment in real property.

The NDP and Green Party positions are set out on page 2.

### **CFAA Allied Members:**

#### **Gold**

Canadian Apartment Magazine  
MetCap Living Management  
My Ideal Home Network  
Rogers Communications  
Yardi Systems

#### **Silver**

TD Canada Trust  
First National Financial LP  
Visa

#### **Bronze**

H&S Building Supplies  
Onestop Media Group  
Places4Students.com  
Rent Check Corp

## *The federal political parties' positions on tax policy (cont'd)*

### **New Democratic Party**

The federal NDP are generally in favour of higher taxes on well-off people, and on investment income and capital gains, in order to fund social programs. They have supported tax deferral for reinvestment in low-rent property, but not for reinvestment in rental property generally.

The NDP opposed the reduction of the GST, advocating instead lower income taxes for low-income Canadians and better funding for social programs.

The NDP say that they will reduce the small business tax rate from 11% to 9% and that they will introduce a Job Creation Tax Credit. They say they will keep Canada's corporate tax rate competitive by keeping it below that of the United States, but they will roll back the scheduled corporate tax cuts.

### **Green Party**

The Green Party's driving principles for economic policy are to "get the prices right" by removing market distortions that affect the environment, and to use the tax system to help meet societal and ecological goals. This suggests the Greens might favour increased government control. However, they have stated that they want to allow business to pursue profit.

The Green Party says they will introduce a carbon tax and return Corporate Tax rates (except for small businesses) to the 2006 level (which means rolling back the past and scheduled corporate tax reductions).

They say they will reduce income taxes through a revenue neutral tax shift, made possible through the carbon tax.

## *The federal political parties' positions on energy policy*

### **CFAA's position on energy policy**

CFAA supports measures to reduce energy consumption such as sub-metering and energy upgrades in buildings. However, CFAA is concerned about measures that seek to raise the price of energy (or water) since those measures tend to increase the cost of providing rental housing. High and rising energy costs negatively affect housing affordability. On average, rental buildings are older than owner-occupied dwellings, and thus rental buildings are more negatively affected. CFAA recommends the federal government:

- Reinstate the Eco-Energy program for low-rise buildings with fair subsidies for multi-unit buildings.
- Reinstate the Eco-Energy program for high-rise buildings.

### **Conservative Party**

The Conservatives say that they will extend the ecoEnergy Retrofit-Homes program by one year. The program provides home and property owners grants of up to \$5,000 per unit to offset the cost of energy-efficiency improvements. It is clear rental housing would be included.

### **New Democratic Party**

The NDP say that one of their key priorities will be a revolving funding to provide ongoing federal support for home energy efficiency projects. They say that they will introduce a home heating federal sales tax rebate and introduce a permanent Eco-energy retrofit program, although it is unclear whether these would apply to rental housing.

### **Liberal Party**

The Liberals say that they will implement a new Green Renovation Tax credit of up to \$13,500 for Canadians who make energy efficient changes to their homes. It is not clear whether this program will apply to rental properties.

### **Green Party**

The Green Party's budget provides for a 50% increase in grants for the EcoEnergy home energy retrofit program. They say that they will:

- develop a specific tax-shifting schedule to provide incentives and direct rebates to businesses and individuals investing in the low-carbon economy (e.g. retrofitting homes and businesses to conserve energy).
- establish a 100% Accelerated Capital Cost Allowance for all businesses for energy retrofit costs.
- provide GST credits for all materials used in new buildings that are LEED Silver or better

## The federal political parties' positions on housing policy

### CFAA's position on housing policy

CFAA is seeking the rebalancing of Canada's housing policies, which now unduly favour homeowners over renters. Canada's system of taxation and programs gives an average benefit of \$1,823 per year to homeowners compared to only \$308 per year to renters in the private market, even though renters have on average only half the income of homeowners. Growing evidence suggests that housing policies which artificially favour homeowners result in reduced labour mobility and higher unemployment.

CFAA promotes greater use of portable housing allowances rather than subsidies for new social housing construction. CFAA recognizes that there is an important place for social housing in the form of supportive housing and special needs housing; however, CFAA believes that housing affordability issues are best addressed through housing allowances paid to tenants (or rent supplements), which allow low-income tenants choice in housing, and achieve income mixing at no cost to taxpayers.

Most low-income Canadians rent their homes. And most people on social assistance rent in the private market and receive much less housing assistance than the lucky few who receive a deep subsidy in social housing. CFAA recommends the federal government :

- Reform the OAS/GIS system to compensate tenants for the imputed income received tax-free by owner-occupiers. (Raising the GIS is some advantage in that regard.)
- Direct federal money into housing allowances (or housing benefits) paid to low-income tenants rather than into new social housing construction.

#### Conservative Party

The Conservatives are divided on housing issues. Some feel that housing is a provincial matter. Others feel that no assistance is needed to promote housing affordability, or that the status quo is acceptable. In the past, Stephen Harper has supported portable housing allowances.

The Conservatives say that they will provide greater support (\$300M in the first year and rising over time) to vulnerable seniors in the form of a top-up benefit to the GIS, which they estimate will improve the financial security of some 680,000 Canadian seniors.

#### Liberal Party

The Liberals say that they will increase federal investment in affordable housing by \$550M in the first two years in an effort to reduce homelessness, maintain and renew existing affordable housing stock and stimulate new construction of affordable housing. The Liberals have been divided on housing issues. Most feel that the current policy emphasis on social housing is the right one. However, former Liberal Housing Minister Fontana wanted to allow the use of federal money for housing allowances or rent supplements, but the federal finance department officials largely blocked that reform.

The Liberals say that they will increase the GIS benefit for low-income seniors by \$700M per year.

#### New Democratic Party

Most members of the NDP advocate spending more money on building new social housing. Some have advocated housing allowances as well.

The NDP say that their infrastructure plan will include significant new funding for affordable and social housing. They will restore funding to the Affordable Housing Initiative to increase the supply of affordable housing and the homeowners Residential Rehabilitation Assistance Program. (It is unclear whether this will extend to rental properties.)

The NDP say that they will increase the annual GIS to a "sufficient level" in the first budget to lift every senior out of poverty.

#### Green Party

The Green Party's budget provides for approximately \$2.5B in funding for a new national affordable housing program. It would include a plan to build 20,000 new and 10,000 rehabilitated affordable units per year for the next ten years. It would also include rent supplements or shelter assistance for 40,000 low-income households per year for ten years.

The budget also provides \$900M for community housing as part of a "municipal superfund".

The Green Party say that they will fund a program to upgrade all low-income rental housing, to be completed by 2025.

## The federal political parties' positions on other issues relevant to landlords

### Conservative Party

The Conservatives plan to strengthen property rights by ensuring that landowners are adequately compensated for land-use restrictions intended to protect the habitats of endangered species.

The Conservatives eliminated large personal election donations and banned donations from unions and corporations, and plan to phase out the direct subsidy of political parties over three years.

### New Democratic Party

The NDP proposes a new proportional representation voting system. (This type of system gives parties a share of seats in parliament that is more nearly equal to their share of the popular vote. It tends to give more power and influence to the third party or to splinter groups than they have now.)

The NDP plans to propose the abolition of the Senate.

### Liberal Party

The Liberals propose a Secure Retirement Option, a voluntary supplement to the Canada Pension Plan to help those without pension plans avoid "the risk, complexity and hidden management fees of RRSPs".

### Green Party

The Green Party proposes consideration of proportional representation. (This type of system gives parties a share of seats in parliament that is more nearly equal to their share of the popular vote. It tends to give more power and influence to the third party or to splinter groups than they have now.)

The Green Party proposes to lower the voter age to 16 to encourage more youth participation.



**Canadian Federation of Apartment Associations**

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CFAA represents the owners and managers of close to one million residential rental suites in Canada, through 17 associations across Canada. CFAA is the sole national organization representing the interests of Canada's \$40 billion rental housing industry.

This is a special CFAA Election Bulletin.

CFAA's regular National Outlook is generally published by mid-month in:

- February
- May
- August
- November

You can view National Outlook at:  
[www.cfaa-fcapi.org/newsletter.html](http://www.cfaa-fcapi.org/newsletter.html)

### CFAA Thanks its 2011 Allied Members!



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### Gold



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### Silver

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