September 2010

Eliminating the Double Tenant Tax in New Brunswick in 2010

New Brunswick is the only Province in Canada to Tax Non-Owner Occupied Properties Twice

Since 2005 the New Brunswick Apartment Owners Association (NBAOA) has been lobbying the government of New Brunswick to address the issue of Double Tenant Taxation in the province. The government has acknowledged that this practice is an issue a number of times, but has failed to do something about it despite previous campaign promises and mandates.

During the 2010 provincial election, NBAOA wants the candidates to go beyond simple acknowledgement of the issue and commit to eliminating the unjust double tenant tax in New Brunswick once and for all. The time is now for change. We must stop taxing those who can least afford it twice and give relief to tenants now. Our elected officials must Axe the Double Tenant Tax in 2010.

Example of Double Tenant Taxation
(Fredericton data)

	Apartment Rate	Single Family Home Rage
Municipal Tax Rate	1.426	1.426
Residential Tenancy Admin Fee	0.049	N/A
Cost of Assessment	0.019	0.019
Provincial Tax Rate	1.457	N/A
Total	**2.951**	**1.445**

Figures based on $100 of assessment

Apartments are taxed at 2.07 times homeowners in NB

Double Taxation

Quite simply, Double Taxation is taxing people twice for the same property and New Brunswick is the ONLY province in Canada to continue this unjust practice. In New Brunswick, there are two levels of property tax (provincial and municipal/local), and two classifications of property (residential and non-residential). Residential property is further divided as either owner-occupied (e.g., principal residence) or non-owner occupied (e.g., apartments and cottages).

In the current system, non-owner occupied properties are taxed twice (once by the province and once by the municipality/local service district). Owner-occupied properties are taxed only once by the municipality/local service district. This taxation results in Tenants of New Brunswick essentially paying double the property taxes of owner occupied properties are more than twice the Canadian average.

Comparison of New Brunswick with the Rest of Canada

	Single Family Home Rage	Apartment Rate	% More for Apartments
New Brunswick	$1.619	**$3.145***	94%
Other Maritime Provinces	$1.480	$1.480	Same
Avg. Other Canadian Cities	$1.109	$1.358	22%

*Avg. of Saint John, Moncton, and Fredericton
Figures based on $100 of assessment

Double taxation is not only unjust but creates an imbalance in the overall property tax system and can have serious impacts on the New Brunswick overall economy; those living in poverty who can't afford housing; the province's ability to attract and retain new residents (immigrants, migrants); and investment in the rental accommodations sector and seasonal or secondary homes. Double taxation is a significant barrier to investment in and development of these properties in the province.

In 2005, the Department of Finance conducted an analysis of the overall provincial tax burden facing New Brunswick's apartment industry in comparison with other provinces. The results of the analysis indicated that, for the rental accommodations sector, **New Brunswick ranked second highest in total tax burden among all provinces**. This ranking was due to the application of the provincial property tax rate to apartment buildings and that tax is paid for by New Brunswick residents who can least afford it - tenants.

New Brunswick Tenants

More than **250,000 New Brunswickers are tenants** who rent their living accommodations. Statistics Canada reports that the average renter earns 40% less than the average homeowner, yet in New Brunswick tenants' tax burden is ***TWICE*** that of the average homeowner and of tenants living in the rest of Canada.

New Brunswick tenants have no choice in this matter, they must have a place to live and consequently, they must pay for an unjust tax which is built into their rent. This policy of Double Tenant Taxation contributes directly to the lower standard of living for the tenant.

Housing is a fundamental need of every person in New Brunswick. Taxing those, who can least afford it, twice is simply ***UNJUST***. The time for change is now.

New Brunswick Rental Rates

		Average Rental Rates				Rate Increase $$	
		Apr-07	Apr-08	Apr-09		Apr-08	Apr-09
Bachelor		$420	$424	$453		$4	$29
1 Bedroom		$496	$524	$535		$28	$11
2 Bedroom		$610	$635	$653		$25	$18
3+ Bedroom		$700	$727	$753		$27	$26
Total		$579	$604	$625		$25	$21

Source: CMHC Market Reports

In the last 2 years, average increases of $25 and $21 on rental units

NBAOA Recommendations

- **Eliminate the unjust Double Tenant Tax in New Brunswick on a three-year phased in basis to reduce the impact on the Province's budget.**
  For 2009/2010, tax from non-owner occupied properties ($62 million) represents only less than 1% (0.087%) of New Brunswick's budget revenue ($7 billion). The elimination of the second level of tax should be made up through other general revenues. Due to the already sensitive level of property taxation on owner occupied homes, this change should not be directly made up through other property tax revenue.

- **Freeze rental rates during the three-year phase in period.**
  A three year rent freeze would allow tenants to enjoy no increases in their rent for three years and provide much needed relief. NBAOA also recommends a mechanism be put in place to deal with hardship cases or instances where a landlord is making significant capital improvements to a property to benefit tenants. This will entail minimal government involvement to enforce and will benefit tenants.

Impact of NBAOA Recommendation

Three-Year Phase Out of the Double Tenant Tax

Average Rate of a Unit in NB	$625
Average Property Taxes currently within this rate	$120
Provincial portion of taxes	$ 60
Three year phase out (per unit per month)	$ 20

By phasing out the double tenant tax over three years, landlords can save an average of $20 per unit per month and pass those savings on to tenants through a rent freeze, thus avoiding rent increases for the next three years. CMHC reports (shown in chart above) the rent freeze will result in a comparable savings to the tenants of New Brunswick.