

Tenants pay too much tax

The Ottawa Citizen

April 11, 2002

Wrong is wrong. Right is right. Just because tenants don't wield a big political stick in local government doesn't mean that they should not be treated fairly by the tax system.

On Tuesday, city councillors have a chance to at least get on the road to levelling the taxation burden between tenants and homeowners in Ottawa.

Large apartment buildings have been taxed at separate, higher rates by cities for decades. A lot of it has to do with the notion that big landlords could pay, so why not tax their buildings more? What happens is that the higher property taxes are simply tucked into the rents charged by landlords.

There are 119,000 families renting in Ottawa. What makes this especially regressive is that these renting families typically have household incomes much lower than those of homeowners.

Ottawa doesn't have the worst examples of this tax disparity. Tenants in large buildings in Toronto are the most unfairly taxed in the province. Ottawa has lowered the tax rate slightly for older apartment buildings, and has eliminated the different tax treatment for new buildings. But renters still pay yearly at least half a month's rent too much in property taxes.

To correct this, a City of Ottawa task force has urged that we move to a policy of charging equivalent taxes for equivalent residential properties, so that a two-bedroom condominium, for instance, would be taxed at the same level as a two-bedroom apartment. This is reasonable.

Of course, the consequence is a greater tax load for others. Apartment buildings now account for about \$90 million a year in municipal taxes, but will generate \$75 million once the load is levelled. This means a \$30-a-year tax increase for the average homeowner in a two-year phase-in. Or council could maintain tax levels for residential taxpayers by cutting some of its discretionary spending on big projects.

A tax increase would be unwelcome, since taxpayers rightly point out that there is already far too much government service on the back of the property-tax bill. They are right. But what's the alternative?

Kanata Councillor Alex Munter argues that the tax cut will find its way into the pockets of landlords rather than tenants. Big landlords, such as Minto's Roger Greenberg, pledge that they will pass the tax savings along and point to the Tenant Protection Act, which requires it. But that's a side debate. We're not taxing properties equally, and that's unfair.

© Copyright 2002 The Ottawa Citizen