

Ontario tax rules hose passive tenants

By Kate Heartfield
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Ottawa is spending a lot of time talking about how much property tax homeowners will shell out next year. It now looks like tenants, who are already unfairly taxed, might have to pay more too. But as usual, few voices are raised about that.

According to the 2001 census, there are 118,735 rented dwellings in Ottawa, and 183,030 owner-occupied dwellings. That makes renters a significant constituency.

Yet we tenants are voiceless in property-tax debate. Or soft-spoken, anyway.

Tenants tend to forget they even pay property tax. "Tenants aren't generally aware of it, because it's embedded in their rent," says Vince Brescia, president and CEO of the Fair Rental Policy Organization.

He says it's a direct relationship, like cigarette tax. When cigarette taxes go up, the price of a pack goes up, and smokers know why. When multi-residential property taxes go up, rents go up. Tenants don't always know why.

Our ignorance costs us.

Many tenants are taxed at higher rates than homeowners. The province's "multi-residential" class refers to rental buildings with seven or more units. Because they're in a different class, Mr. Brescia says such tenants in Ottawa can find themselves paying more than twice the rate homeowners pay.

"We're not aware of any tax that is more regressive than this tax," he says. "There's no justification for taxing tenants differently than owners, especially when tenants have half the income of owners."

Especially when tenants of multi-residential buildings are doing the city a favour. Sprawl costs money, from the construction and maintenance of roads, to the emergency services and garbage trucks that have to drive those roads. Single-family homes cause sprawl.

More infill development – development that puts a lot people in a small section of land, in the existing urban area – is one of the city's goals. So why penalize the people who live that way already?

The provincial government stirred up the property-tax debate this month, by changing the rules for 2004. The new rules allow cities to make business charge the cost of rising property values, instead of shifting the burden to homeowners. They also allow the city to raise business and multi-residential tax increase.

The debate, over how much the city should raise taxes for homeowners, has changed. It has become a debate about how much tax the city should take from homeowners, and how much from businesses.

What about tenants, who could suffer the most from these changes?

The province's change to the tax rules could hurt tenants even more. Before the change, Mr. Brescia says, the province was making some weak efforts to equalize the two kinds of residential tax over the long term. By law, landlords have to pass on tax breaks to their tenants.

The immediate effect of the province's announcement is unclear, until the city decides whether and how it will take advantage of the change. Even if it doesn't affect rents this year, the change doesn't do anything to make residential property tax more equal. "It's a setback for tenants," say Mr. Brescia.

Tasha Kheiriddin, the Ontario director of the Canadian Taxpayers Federation, calls tenants the "biggest losers" in the province's new policy. She says rents could go up if property taxes do.

The province sets a cap on how high a landlord can increase rent for a current tenant (although the Ontario Rental Housing Tribunal can approve higher increases). This year, the cap is 2.9 per cent.

The province determines the cap by averaging landlord's costs over three years. Those costs include property tax. So property taxes go up significantly this year, that could change the cap in future years.

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