

LOCAL NEWS

City to give tenants a \$2.5 million tax break

By Erin Kelly

Some tenants may soon be seeing a slight decrease in their monthly rent.

The city's corporate services and economic development committee passed a motion last week approving a slight decrease in the tax rate of the multi-residential class. The motion, which must still go before city council, recommends a nearly 0.5% — or \$2.5 million — reduction in the taxes paid by tenants of apartments.

"We are pleasantly surprised by this, for sure," said Luigi Caparelli, who is with Tenants and Landlords for Fair Taxation, an organization that has lobbied to have taxes lowered on apartments.

"There is still a little ways to go yet, but this is a step in the right direction," he added. "We are really encouraged by this motion."

The motion will spare most tenants an increase in their rent and some could see minor reductions from \$2 to \$12 per month. Mr. Caparelli estimated roughly half of tenants in Ottawa would see a slight decrease in their rent.

To ensure that the tax burden does not shift to other classes, city staff has asked for the funds to come from the tax stabilization reserve.

"There is this big misconception out there that tenants do not pay taxes because they do not get a bill, but it is added directly into the rent."

— Luigi Caparelli, Tenants and Landlords for Fair Taxation

"The whole point of the tax stabilization reserve, is just that — to stabilize taxes," said Alta Vista Coun. Peter Hume. "This makes sure that the taxes coming down in this sector do not get pushed to another tax class. It is a completely appropriate use of that \$2.5 million."

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In order to help sway councilors to pass the motion, 13 mayors for landlords, including Minto, Paramount and Urbandale, have promised to pass along the tax relief to their tenants. One concern with the motion had been whether the reduction would trickle down to tenants because landlords are not legally bound to pass along any relief under 2.49%.

"The rationale for this legislation is that there is too much paperwork for such a small amount given back," explained John Dickie, chair of the Eastern Ontario Landlords Organization. "It is similar to how Revenue Canada does not send you a rebate back for \$1.50. But just to help get this to go through, we have made a commitment and a promise to have the tax decrease passed on to tenants."

The debate about taxes on the multi-residential class is not a new one. There has long been an argument on the need to make the tax burden more comparable between apartments and single-family homes.

On average, those in the multi-residential class are taxed two times more than those living in single-family homes. Typically, if

an apartment building and condominium building are on the same street and valued at the same amount, the apartment will be taxed more.

"The multi-residential class is treated like businesses and taxed like a business, which is complete-

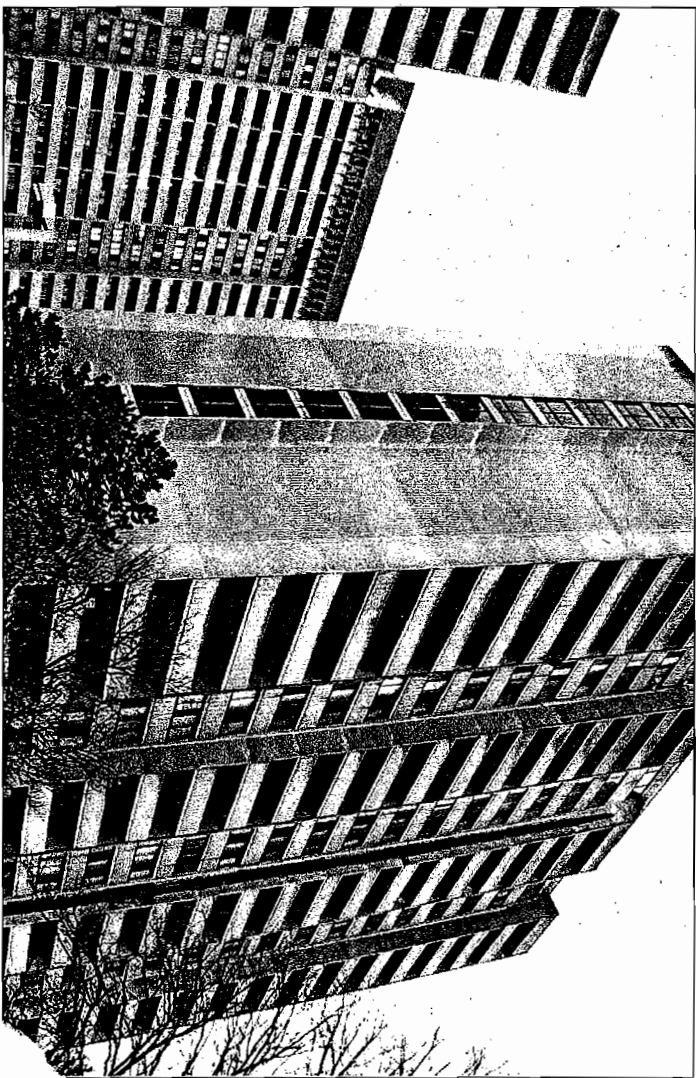


Photo By Erin Kelly
Advocates for renters are applauding a move by the city to spare residents from rent increases and even give some rent reductions.

ly unfair," said Bay ward Coun. Alex Cullen.

"We are trying to correct a historical inequity in the tax section between homeowners and renters," Coun. Hume explained.

Mr. Dickie said taxes between the two classes will remain unfair until there is an equal ratio.

"I think it is a bit overdue with homeowners when they get their taxes. They tend to get a little unduly excited about their assessments," explained Mr. Dickie, who said the issue of taxes received by homeowners tends to overshadow the situation with multi-residential units.

The tax assessment change for homeowners this past year was, on average, just below 12%, while

the multi-residential class saw an average increase of 30.35%.

Coun. Cullen said one reason the issue does not attract as much attention from renters as it does from homeowners, is because tenants are not aware of how much they are paying in taxes.

"It is like the hidden secret of taxes, but it definitely is there. They are taxpayers too and they are significant contributors to our tax system," explained Coun. Cullen, adding nearly 40% of Ottawa's population lives in rental accommodation.

"Almost 20% of every penny a tenant pays to the landlord goes towards taxes," said Mr. Caparelli. "There is this big misconception out there that tenants do not pay

taxes because they do not get a bill, but it is added directly into the rent. Tenants always seem to be really surprised to hear how much they pay in taxes."

Mr. Dickie said his organization has heard the suggestion taxes should be billed directly to tenants so they would know exactly what they are paying.

"Tenants, unfortunately, do not seem to know the situation," he explained. "I'm often surprised at just how few tenants know about the taxes they pay."

The motion was to be brought forward at the April 26 city council meeting, after our deadline.

If approved, the motion will come into effect for the 2006 taxation year.