



The Property Tax Bite

Capping Property Taxes to Protect Homeowners



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About the Canadian Taxpayers Federation

The Canadian Taxpayers Federation (CTF) is a federally incorporated, non-profit and non-partisan, advocacy organization dedicated to lower taxes, less waste and accountable government. The CTF was founded in Saskatchewan in 1990 when the Association of Saskatchewan Taxpayers and the Resolution One Association of Alberta joined forces to create a national taxpayers organization. Today, the CTF has over 72,000 supporters nation-wide.

The CTF maintains a federal office in Ottawa and offices in the five provincial capitals of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario. In addition, the CTF has a Centre for Aboriginal Policy Change in Calgary dedicated to monitor, research and provide alternatives to current aboriginal policy and court decisions. Provincial offices and the Centre conduct research and advocacy activities specific to their provinces or issues in addition to acting as regional organizers of Canada-wide initiatives.

CTF offices field hundreds of media interviews each month, hold press conferences and issue regular news releases, commentaries and publications to advocate the common interest of taxpayers. The CTF's flagship publication, *The Taxpayer* magazine, is published six times a year. An issues and action update called *TaxAction* is produced each month. CTF offices also send out weekly *Let's Talk Taxes* commentaries to more than 800 media outlets and personalities nationally.

CTF representatives speak at functions, make presentations to government, meet with politicians, and organize petition drives, events and campaigns to mobilize citizens to effect public policy change.

All CTF staff and board directors are prohibited from holding a membership in any political party. The CTF is independent of any institutional affiliations. Contributions to the CTF are not tax deductible.

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Scope of Report

Although there are a myriad of issues to address with respect to local government, this paper will focus on the impact of taxation on residential property owners.

Assessment data was collected from the BC Assessment Authority and property tax rates were compiled using data from the Ministry of Community Services. This study focuses on rising property assessments and evaluates whether municipalities are adequately adjusting tax rates to neutralize the impact of a thriving real estate market. Indeed, increased assessments impact all property classes. However, due to the fact that: a) residential owners cannot deduct their property taxes from profit, b) that no similar study has been conducted in British Columbia before, and c) the overwhelming demand for such a comparison at the residential level, the CTF's first report on property taxes will address the impact on homeowners.

Municipal governments are the creation of the province, therefore, it is up to the provincial government to take the lead in comprehensively addressing the growing uncertainty and regressive nature of property taxes in British Columbia. This report provides the government with a framework and recommendations to address the inequity, unpredictability and disjointed approach to property taxation assessment and collection in British Columbia.

Acknowledgements

The CTF would like to thank BC Assessment Authority for compiling the primary assessment data and for generously taking the time to provide comprehensive answers to many questions.

Summary of Findings

- Market based property assessments are driving up property taxes for homeowners in every region of the province.
- Municipalities are not adjusting the mill rate to reign in the impact of “assessment creep.”
- Total municipal revenues have swelled in recent years, jumping 44 per cent between 2001 and 2004; while the average annual rate of inflation has remained low at 2.05 per cent.
- There is no correlation between rising property tax bills and the level of services provided by local government or consumed by homeowners. Increasing property tax bills are often determined by higher property assessments; a problem that is exacerbated by today’s thriving real estate market.
- Statistics Canada has found that property taxes in British Columbia are amongst the most regressive in Canada hitting low and fixed income earners the hardest. Unlike income taxes, property taxes do not reflect ability to pay and make up a greater proportion of household expenses for low income homeowners.
- The property tax bite is getting bigger: household incomes are not increasing, yet property values and taxes continue to climb.
- Over the past five years, average weekly earnings in British Columbia have crept up a mere 7.3 per cent, not even keeping pace to total inflation of 8.2 per cent and far lower than the increases in residential property tax bills, in the range of 14 to 23 per cent across the province.
- Proper budgeting and fiscal forecasts at the municipal level are hamstrung by the uncertainty of real property taxation revenues.
- As homeowners have witnessed continuously increasing property tax bills, the level of transparency and accountability at the local government level has waned.
- *The Community Charter* ushered in substantial changes to local governance but failed to include a means to appeal or challenge local council decisions. In the past, the Ombudsman’s office handled complaints regarding administrative unfairness at the municipal level but due to budget restraints the office no longer investigates such complaints.

Summary of Recommendations

- The CTF recommends the province implement a tax cap that would limit annual increases in property tax bills to the rate of the Consumer Price Index (CPI). Municipal governments that want to increase property tax bills beyond the CPI would require voter approval.
- Property tax bills can be reassessed at the time of sale with each subsequent year’s tax bill limited to increases at the rate of the CPI.
- The CTF recommends municipal government bill services that are currently provided through property taxation revenues, such as garbage collection and water consumption, on a user pay basis.
- The CTF recommends municipalities proactively pursue cost saving measures for service provision and capital projects, including alternative service delivery (ASD), public-private partnerships (P3s) and privatization of services.

- The CTF recommends *The Community Charter* be amended to mandate public consultation of municipal annual financial plans and ensure adequate time for consideration by the public *before* council adopts the annual plan.
- The CTF recommends the purview of the provincial Auditor General be extended to conduct value for money audits of municipal services.
- The CTF recommends *The Community Charter* be amended to include provisions for the use of citizen referenda and initiative at the local government level.
- The CTF recommends the provincial government restore the funding necessary to the office of the Ombudsman in order for it to investigate acts of administrative unfairness by municipal governments.

Part I: Key Findings

As the size and variation of municipal services is great throughout British Columbia so too are residential property tax rates. However, there is one troubling commonality: property tax bills are increasing across the province. Homeowners are feeling the pinch and trying to absorb the unpredictability of their tax bills each year.

According to CTF calculations, average residential property tax bills have increased over the past five years between 14 and 23 per cent throughout different regions in British Columbia. The map on page seven provides a breakout of the different property tax bill increases for homeowners in six geographic regions of British Columbia. The appendix at the end of the report details year over year breakdowns in select municipalities. In total, 60 of the 154 municipalities were examined, (although primary data is available for the others).

To come up with each figure, average assessments were calculated based on the total assessment dollar value of real residential property in each municipality divided by the number of “occurrences” which include semi-detached, single dwelling, condominiums, stratas and any other residential dwelling. That average was then multiplied by the tax rate or mill rate set by that municipality to come up with an approximate property tax bill for each residential ratepayer. Year over year increases were then measured against the previous year and aggregate changes from the first year, 2001 to the last year 2005. The calculations do not include grants, exemptions or property tax deferrals.

The Islands (23.7%)

Over the past five years, homeowners witnessed an increase of 23.7 per cent in their property tax bills. Lake Cowichan tops the list with an incredible 52.9 per cent increase for residential owners between 2001 and 2005. Other municipalities calculated on the islands include Colwood which witnessed an extraordinary increase of 36 per cent over the five year period and Langford homeowners were hit with a 38 per cent increase, while the capital city, Victoria was up 20.8 per cent. This geographic area has witnessed massive increases in property value assessments in the past few years and clearly municipalities are not adjusting the mill or tax rate to soften the blow to homeowners.

Vancouver, Coast and Mountains (16.8%)

Like most of British Columbia, this area has also witnessed huge upswings in residential property values and by consequence, property tax bills. The largest increase was in Vancouver proper with property tax bills increasing 31.8 per cent in the past five years. Chilliwack, Coquitlam and Abbotsford homeowners were also hit with increases in the range of 21 to 24 per cent. As residential property values increase and provide a boon for municipal coffers; homeowners are left hoping their assets would stop appreciating so quickly so the taxes remain manageable.

Thompson Okanagan (21.9%)

The municipality of Greenwood in the Thompson-Okanagan area has the dubious distinction of the highest residential property bill increase in the province at an amazing 67 per cent! Enderby is second in the area with 47 per cent, followed by Merritt and Penticton at 22 per cent each. However, one municipality did buck the trend, Vernon saw a reduction of 13 per cent. It should be noted that Vernon also had one of the highest property tax bills at the first year of the study in 2001 compared to other communities of similar size. Therefore, the Vernon exception may simply have been a re-adjustment to an already high rate.

BC Rockies (20.2%)

With the exception of Castlegar registering a total increase from 2001 to 2005 of just 7.7 per cent, most other municipalities in the BC Rockies reflect the province wide trend. Homeowners in Kimberly were hit with a 34.8 per cent increase and Revelstoke bills went up 33.4 per cent. Also of note, were increases in Golden at 24 per cent, Fernie at 20.5 per cent and Creston at 21 per cent.

Cariboo (14%) and Northern BC (16.7%)

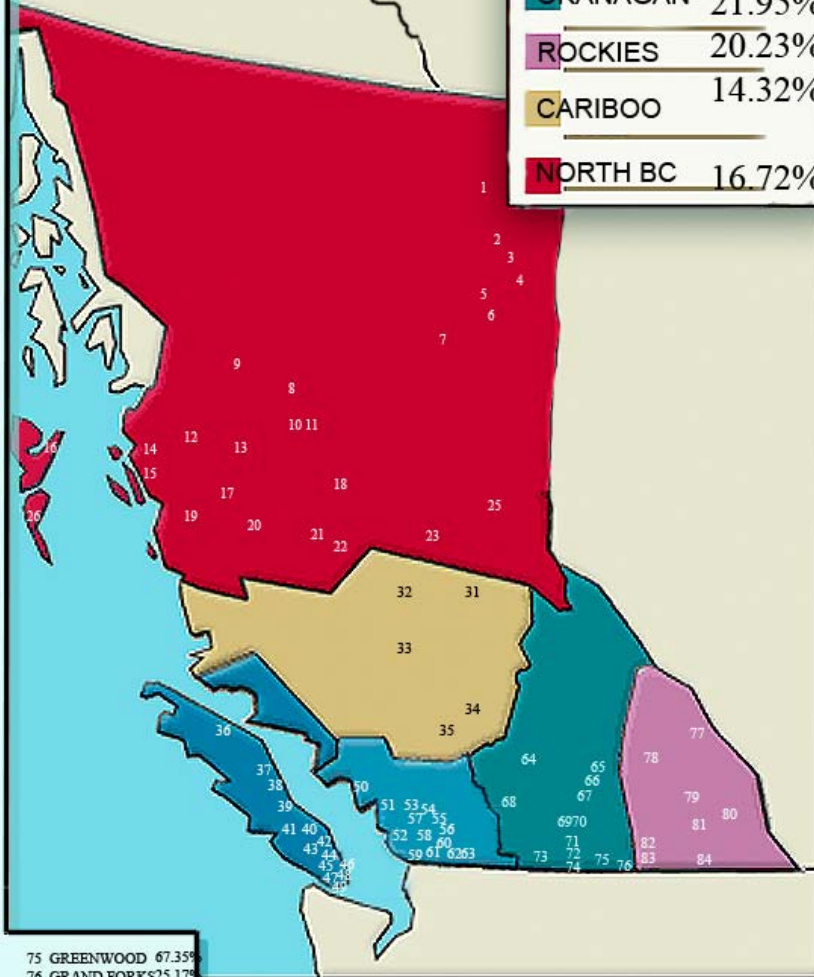
Homeowners in Williams Lake count themselves lucky to have been hit with a mere 7.4 per cent increase in property tax bills in the past five years, whereas Quesnel ratepayers handed over an additional 21 per cent. In Northern BC, Fort St. John topped the list with an astounding 38.3 per cent increase and Smithers was at 20.6 per cent.

Ratepayers in every region of British Columbia are feeling the pinch, primarily from higher assessed home values but also from municipal governments that have ramped up spending. Time and time again, municipalities hide behind the argument that the only taxation capacity available to them are property taxes, and in order to meet growing demands there is no choice but to increase taxes. However, property tax as a revenue source for municipalities does not have to mean unpredictability, uncertainty and inequity for ratepayers.

Average Homeowners' Property Tax Cost Differences in Percent 2001-2005

1	FORT NELSON	17.03%
2	FORT ST. JOHN	38.31%
3	TAYLOR	
4	DAWSON CREEK	10.35%
5	HUDSON'S HOPE	
6	CHETWYND	
7	MACKENZIE	
8	HAZELTON	
9	STEWART	
10	SMITHERS	20.65%
12	TERRANCE	1.64%
13	GRANISLE	
15	PRINCE RUPERT	12.76%
16	MASSET	
17	HOUSTON	
18	ST JAMES	
19	KITIMAT	
20	BURNS LAKE	
21	FRASER LAKE	
22	VANDERHOOF	
23	PRINCE GEORGE	16.33%
24	PORT EDWARD	
25	TUMBLER RIDGE	
26	QUEEN CHARLOTTE C.	
27	PORT CLEMENTS	
28	MCBRIDE	
29	POUCE COUPE	
30	TELKWA	
31	WELLS	
32	QUESNEL	21.20%
33	WILLIAMS LAKE	7.45%
34	100 MILE HOUSE	
35	CLINTON	
36	PORT MCNEILL	16.65%
37	COURTENAY	15.63%
38	QUALICUM BEACH	14.83%
39	PARKSVILLE	14.04%
40	NANAIMO	14.41%
41	PORT ALBERNI	19.45%
42	LADYSMITH	13.36%
43	LAKE COWICHAN	52.90%
44	DUNCAN	33.91%
45	LANGFORD	38.39%
46	SIDNEY	12.92%
47	COLWOOD	36.10%
48	ESQUIMALT	28.83%
49	VICTORIA	20.84%
50	NORTH VANCOUVER	18.43%
51	VANCOUVER	31.87%
52	RICHMOND	14.23%
53	BURNABY	12.11%
54	PORT MOODY	15.08%
55	PORT COQUITLAM	13.96%
56	COQUITLAM	21.37%
57	NEW WESTMINSTER	10.73%
58	SURREY	13.20%
59	WHITE ROCK	7.46%
60	CHILLIWACK	23.41%
61	LANGLEY	9.75%
62	ABBOTSFORD A	22.80%
63	ABBOTSFORD B	20.98%
64	KAMLOOPS	17.28%
65	ENDERBY	47.59%
66	ARMSTRONG	17.49%
67	VERNON	-13.07%
68	MERRIT	22.12%
69	KELOWNA A	14.45%
70	KELOWNA B	14.25%
71	PENTICTON	22.68%
72	OLIVER	25.99%
73	PRINCETON	3.61%
74	OSOYOOS	20.48%
75	GREENWOOD	67.35%
76	GRAND FORKS	25.17%
77	GOLDEN	24.83
78	REVELSTOKE	33.47
79	KIMBERLEY	34.83
80	FERNIE	20.58
81	CRANBROOK	11.52
82	CASTLEGAR	7.73
83	TRAIL	12.55
84	CRESTON	21.08

Key	
ISLANDS	23.77%
VANCOUVER	16.81%
OKANAGAN	21.95%
ROCKIES	20.23%
CARIBOO	14.32%
NORTH BC	16.72%



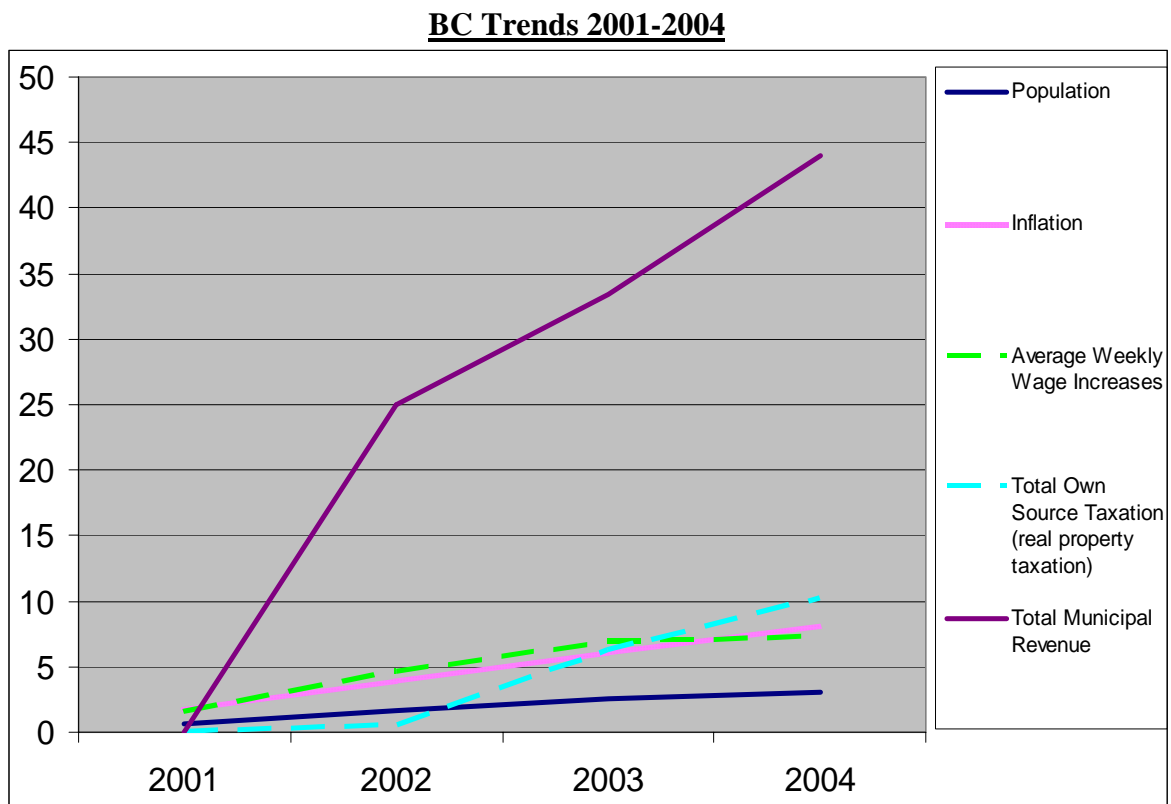
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Jeremy Taylor

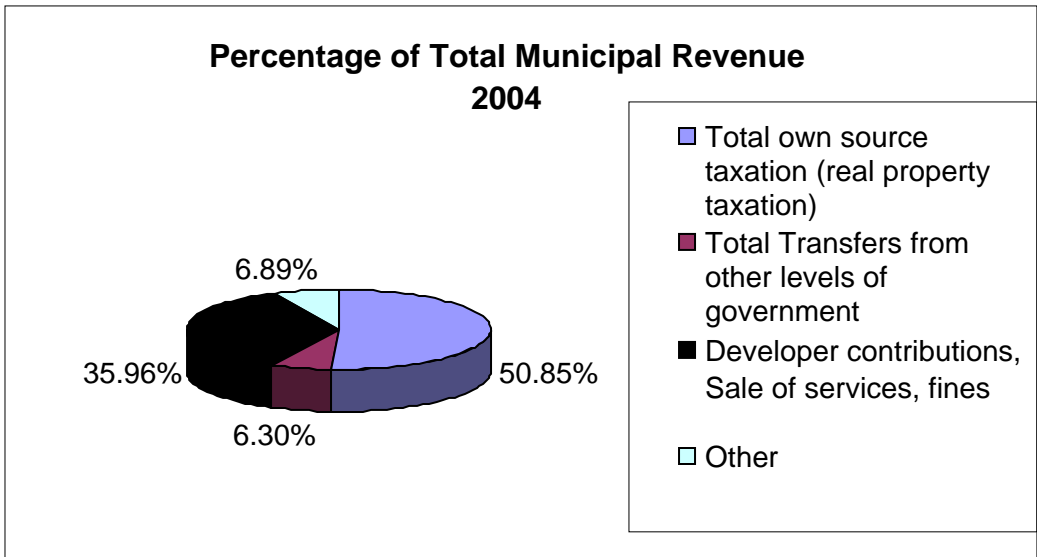
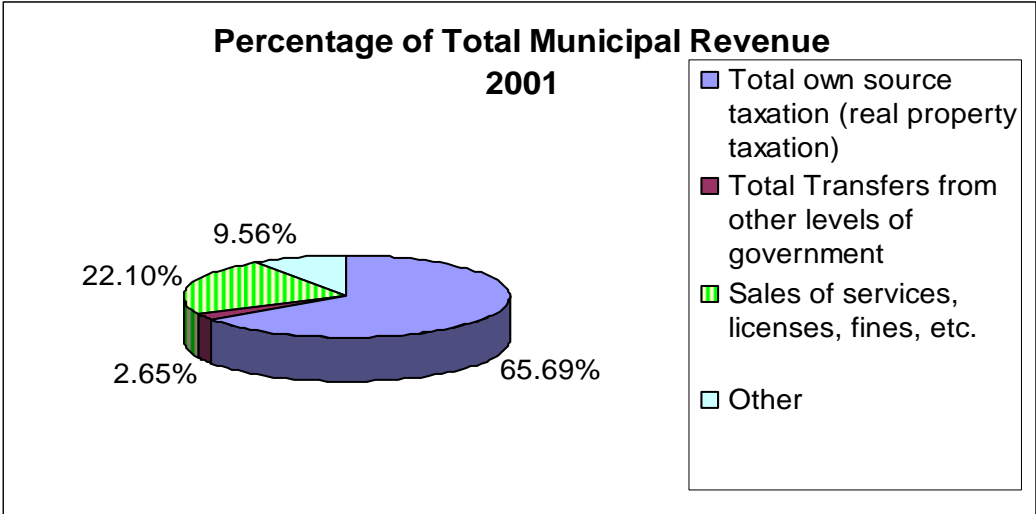
Municipal Revenue: There's more than enough!

Between 2001 and 2004 total municipal revenue increased 44 per cent. A large portion of that increase, 10 per cent, came from increases in own source taxation. A growing proportion of municipal revenue is from other levels of government: federal, provincial as well as regional districts. These transfers have increased an astounding 243 per cent between 2001 and 2004—and this does not include the federal government's gas tax deal announced in 2004 which will up transfers further.

The chart below demonstrates how dramatically property tax revenues are outstripping both inflation and average weekly earnings. As incomes are failing to surpass inflation, residential property values soar and municipal coffers swell.



Another increasing source of revenues for municipalities is developer contributions: the taxes billed to commercial and residential builders to cover initial infrastructure outlay for new developments. Although property taxation is a smaller proportion of total revenue, there has been a net increase of 10 per cent since 2001.



Part II: Key Recommendations

There is a clear trend across the province: as property assessments rise, homeowners are being hit with increased property tax bills. Municipal governments are failing to adequately adjust tax rates to neutralize the impact on residential property owners. Increasingly, property tax bills are unpredictable, tied to a thriving real estate market, not to government services provided, consumed or population pressures. Residential ratepayers have been slapped with average increases in the range of 14 to 23 per cent in the past five years, while total municipal revenue are soaring, up 44 per cent in four years. British Columbia’s real estate market shows little sign of abatement and unless a property tax bill cap is adopted the trend for punitive property tax bills will continue.

As municipal revenue sources swell with transfers from other levels of government, miscellaneous fees, developer contributions and sale of services, it is certainly manageable to adopt a property tax bill cap. Increases in property taxes would be limited to BC's consumer price index (CPI) this would allow municipalities to respond to inflationary and growth pressures. A property tax cap would take the guess work out of tax bills for homeowners, assessors as well as municipalities.

A noted property tax reform advocate aptly describes a property tax cap as “giving certainty to the taxpayer, not the tax collector” as the case is now in British Columbia.

A property tax cap would also force municipal governments to tighten their fiscal belts and set budget priorities. If municipalities want to increase tax bills beyond the CPI, the CTF recommends *The Community Charter* include a provision for a local referendum. *The Community Charter* should also be amended to mandate adequate public consultation and consideration of municipal annual financial plans before adopted by council.

In addition to a more sustainable budgeting process, the CTF recommends that municipal governments proactively pursue cost saving measures such as alternative service delivery options, public private partnerships and privatization. Further, municipalities should adopt user-pay models for services, such as water consumption and garbage collection.

The purview of the Auditor General should be extended to conduct value for money audits of municipal services. With local governments embarking on larger and more expansive capital projects, it is important to evaluate project management and value for tax dollars.

Finally, while local governance structures have changed substantially with the implementation of *The Community Charter*, little has improved for citizen involvement and engagement at the municipal level. The CTF recommends that provisions be included in *The Community Charter* for binding referenda and citizen initiative. Also, the Ombudsman's Office should have adequate funding to investigate complaints of administrative unfairness municipally.

Conclusion

Although the province has improved upon many areas of local governance with new legislation, relatively little has changed for property taxpayers. Since 1984, municipalities have enjoyed complete discretion over setting property tax rates for all nine property classifications. The current system is uncertain, lacking transparency and needs to be reformed to provide all ratepayers with stability and predictability. This coupled with amendments to *The Community Charter* will meaningfully local taxpayers.