



Bob Aaron bob@aaron.ca

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Don't stick tenants with hefty tax bills

They subsidize homeowners' property taxes

Renter can pay as much as wealthy executive

Will Toronto's new mayor and councillors increase house taxes in order to eliminate or reduce the inequities in taxation of residential apartments?

That's what Star reader Robert Findlay wants to know. No doubt many tenants and landlords are asking the same question during the election campaign.

"Every so often," Findlay writes, "someone mentions that apartments are taxed at four times the rate of houses. But I never hear anyone talk about doing anything about this inequality. It is blatantly unfair. It is so unfair that I'm quite surprised that some tenants' rights group hasn't gone to court over this. Other than the fact that governments apparently can do things like this, what is the justification? But more importantly, is anyone going to speak up for the tenants on this and try to get this unfair taxation changed?"

Good questions.

Most Ontario homeowners are probably not aware that their property taxes are heavily subsidized by tenants in multi-unit buildings. For decades, most Ontario municipalities have taxed multi-residential tenants at rates higher than those of homeowners, condo owners and tenants in smaller buildings.

The tax subsidy results from the difference between the "residential" and "multi-residential" tax rate. In Toronto this year, the residential city tax rate is 0.656552 per cent, while the multi-residential rate is 2.5411828 per cent. These figures are the percentages against which property assessment is multiplied to come up with the property taxes.

This inequity means that a single mother living in a small rented one-bedroom apartment assessed at \$80,000 pays the same taxes to the City of Toronto as a wealthy executive who owns a condominium apartment or townhouse assessed at almost \$310,000!

"The big problem (with ending the inequity)," writes Findlay, "is that homeowners would see their taxes go up and as voters they would let the politicians know of their displeasure in no uncertain terms. But fair is fair. The tenants have subsidized homeowners long enough. Naturally, to have any meaningful impact on rents any reduction in taxes would have to be passed on to the tenants, not the landlords. Besides being fair, such reduction in taxes would make apartment rents more affordable and might to some extent reduce the pressure on social housing and food banks, and reduce evictions for non-payment of rent."

If house taxes went up and apartment taxes went down, would apartment rents necessarily follow? Even though the landlord actually writes the cheque for property taxes, the burden of paying the landlord's expenses still falls on the tenant. Under Ontario's rent control regime, the full impact of any tax decrease must be passed through to the tenant.

In 1993, the massive 1,100-page report of the Fair Tax Commission noted, "on average, tenants are over-taxed relative to single-family homeowners." The commission report concluded, "we can see no justification for a distinction in tax policy on the basis of the type of tenure enjoyed by the occupant ..."

The commission recommended that all residential property be assessed on the same basis whether occupied by an owner or a tenant. Similar studies in Toronto by Anne Golden and David Crombie also called for the elimination of punitive tax on multi-residential tenants.

In the fall of 1997, the council of the former Metropolitan Toronto adopted the report of a multi-sector Housing Stakeholder's Panel and recommended the new City of Toronto phase in equalization of property taxes for existing multi-residential and residential classes.

Would this mean higher taxes for Toronto homeowners? Not necessarily, but if they do go up somewhat over five or 10 years so my neighbours in apartment buildings are not taxed unfairly, then so be it.

I'm in a bit of a conflict here, since I am both a homeowner and a residential landlord.

I'm not asking for higher house taxes, but I do believe that no group in society should be singled out for discriminatory, regressive or even punitive taxation.

In good conscience I cannot bring myself to justify being the beneficiary of taxes which discriminate against others in society, just because I am a homeowner.

There is simply no reason to treat tenants and owners differently. All of our citizens should be treated, and taxed, fairly.

We need to begin the process of phasing in the equalization of the multi-residential class of properties with the residential class. Will the new regimes at city hall and Queen's Park take up the challenge?