

# GENERATION | squeeze

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## A tax shift that benefits the vast majority

Less tax on local income, more tax on crazy housing values, and better investments in young and old alike.

That's the vision proposed in a new study published by Generation Squeeze to mark the beginning of its #taxshift campaign.

The #taxshift will:

- ✓ Keep hard-earned income in local residents' pockets to help us cope with unaffordability.
- ✓ Help cool housing markets and rein in costs.
- ✓ Generate revenue to help sustain services for our aging population like medical care; and invest in priorities for young people too, like child care, transit and housing.

"Imagine a big income tax cut, or a big sales tax cut, or no employers' health premium. A #taxshift could make these possible," explains Dr. Paul Kershaw, author of the study. "But a backlash is brewing against such a #taxshift, standing in our way."

Owners of multi-million dollar homes in places like Point Grey are angrily mobilizing against the new school tax, while the speculation tax also faces resistance.

"Generation Squeeze is launching the #taxshift campaign," explains Eric Swanson, Executive Director, "to tell the B.C. government not to back down. To tell the government to go further, while refining recent housing tax announcements to address reasonable concerns."

There are at least three reasons why we need a #taxshift.

### *1. The growing gap between incomes and home prices.*

Housing costs have left behind incomes across Canada, especially in B.C. and Ontario. While housing prices have tripled, incomes have not kept pace, and they have fallen for those of us under 45. **Less tax on local income can make our earnings stretch further.**

Shifting taxes *towards* housing wealth will help reduce treatment of homes as commodities, cooling the market and reining in costs.

### *2. Inequality driven by rising home prices*

Inequality is rising, because wealth is growing faster than income, especially housing wealth due to skyrocketing prices.

Surprisingly, annual property taxes are down across Canada. For example, **B.C. collects \$2.5 billion LESS in property taxes today** than in 1981, even while real estate values catapulted many homeowners into the global one percent. The #taxshift will restore better balance in revenue collection to reduce inequality.

### *3. Violations of the intergenerational golden rule*

The intergenerational golden rule implies do unto your elders what you would have younger generations do unto you when elderly. This means today's aging population can expect their children to pay as much for them in taxes as they paid for their own elderly parents.

However, the tax bill now paid from younger to older Canadians is substantially higher than four decades ago, even though windfalls from rising home prices have disproportionately made many older citizens wealthier. The **tax shift will ensure older generations do not inadvertently pass on unpaid medical care bills to those who walk in their footsteps**, while also sheltering from additional taxation retirees who did not gain from unhealthy increases in housing prices.

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In sum, rebalancing our tax system to **ensure we all pay our fair share**, including the those owning the most expensive 20% of homes, could reduce taxes on income to stretch our earnings; eliminate the need to increase payroll taxes to replace the MSP; and/or raise revenue for programs for which there is urgent need like medical care, child care and transit.

## 10 Key Considerations for the Tax Shift

1. Design the tax shift so that the large majority of citizens come out ahead as result of tax cuts and new spending.  
  
For example, this study proposes a 1% surtax on home value above \$1 million – aka the Million Dollar Homes Tax – which would apply to the most expensive 20% of homes. Revenue would pay to cut other taxes for everybody, and new investment for young and old alike.
2. Organize the shift so that new taxes on housing leave older citizens who reside in homes that have skyrocketed in value with most of their wealth windfall, while ensuring housing wealth tax liabilities drop if home prices fall.
3. Make any new annual housing wealth tax *totally deferrable* until the sale of the property, to protect “house-rich, cash-poor” residents, so nobody has to move before they want. Charge modest interest rates that are the same for all age groups.
4. Make income tax cuts available to all B.C. households, including all renters.
5. Aim for a return to property taxation levels that are on par with when today’s aging population started out as young adults, while protecting revenue sources for cities.
6. Design the tax shift so that regions which haven’t witnessed skyrocketing home prices generally do not pay new housing wealth taxes, but benefit from the other tax cuts.
7. Exempt purpose built rental buildings from new annual taxes on housing wealth to encourage building new supply, and to protect renters from having the tax passed down from landlords.
8. Exempt all properties that are demonstrably under development from new annual taxes on housing wealth to stimulate new supply, and to ensure developers do not have to pass on the cost of the levy to new buyers.
9. In addition to cutting other taxes, prioritize some revenue generated from the tax shift to invest in urgent needs, like child care, below-market housing and medical care.
10. Commit to the goal of a tax shift, but take sufficient time to engage the B.C. public and a range of experts to minimize unintended consequences.

The full study, “A Tax Shift that Benefits the Vast Majority: the case for more annual (deferrable) taxation of housing wealth to rebalance the mix of revenue generation tools used by Canadian governments,” is available at: [http://bit.ly/GS\\_TaxShift](http://bit.ly/GS_TaxShift)