

The real property tax scandal is its burden

DICK DAIGLE COMMENTARY



The commercial buildings found in the core of uptown Saint John. The local Chamber of Commerce believes these properties face too high a tax burden.

PHOTO: COLIN MCPHAIL/TELEGRAPH-JOURNAL

The property tax system in New Brunswick is broken in more ways than one, and it's putting New Brunswick at a serious disadvantage when compared with the rest of the country.

Recent controversies surrounding the provincial property tax assessment system have highlighted the urgent need for large-scale reforms to protect property owners from paying too much property tax and land transfer tax. However, the issue of inaccurate assessments is but one of the challenges New Brunswick property owners currently face.

While we acknowledge that the provincial government has commissioned former Court of Appeal Justice Joseph Robertson to conduct an independent review of all policies and procedures related to the property assessment processes and the inaccuracies that have come to light in recent months, we are concerned that any changes to come out of this review will not be broad enough to create a fair, equitable, and competitive environment.

New Brunswickers pay some of the highest property tax rates in Canada, and adding to this disadvantage is the fact that New Brunswick is the only province in the country to charge a double tax on non-owner occupied residential, commercial, and business properties.

There are two levels of property tax in New Brunswick: provincial and municipal. The provincial tax helps pay for services such as healthcare, education, social services, and the administration of justice. The municipal tax helps pay for municipal services such as policing, fire services, and general administration.

Taxable property is classified as either residential or non-residential (businesses), and residential property is further classified as either owner-occupied (homeowners) or non-owner occupied (rental property, cottages, farmland, etc.).

All property owners receive a municipal tax bill based on the assessed value of their properties. However, only non-residential properties (businesses) and properties where the owner is not the full-time occupant (non-owner occupied), pay provincial property tax. While everyone has access to municipal and provincial services, and the level of services delivered to all properties is the same, non-residential and non-owner occupied properties pay provincial tax, but owner-occupied properties do not. Non-residential property owners are essentially paying twice the tax, but get no additional services. This is what is referred to as the double tax.

This double tax is a penalty to anyone who wishes to invest in real estate in New Brunswick. It affects those who own, or wish to purchase cottages. It affects those who wish to invest in rental income properties. It affects renters when landlords are forced to charge higher rents to offset the cost of the double tax. It discourages investors from choosing to build and renovate properties in our province. The double tax is not simply a business issue – it hurts everyone in our community.

High taxes and high rents mean that businesses are reluctant to move here, investors are reluctant to purchase and develop here, and, because so much of their income must go toward the payment of taxes, individual renters have less disposable income to spend on retail goods and services.

It has been more than 30 years since our property tax laws were updated, and much has changed since then. Matters such as outmigration of youth from our province, aging demographics, and a population shift from rural to urban centres, have created an imbalance in how taxes are collected and how the revenue is distributed. The system no longer provides fair and equitable service to all New Brunswickers.

Chamber members and investors like Keith Brideau, President and CEO of Historica Developments in Saint John, are voicing their concerns that our broken tax system is slowing or inhibiting investment in our province, and that the double tax, in particular, is causing would-be investors to locate elsewhere.

“We have to level the playing field. The double tax prevents us from being able to attract the investment needed to grow our cities,” Brideau states. “If we want our cities to grow, we need to eliminate the double tax. Doing so would allow developers and investors to make a return on their investment that is more in line with what they can achieve in other cities across the country. And this additional revenue for investors would result in further investment – more buildings would get built, more jobs would be created, and more people would have more disposable income to buy more goods and services. The province would actually increase revenue by eliminating the double tax.”

The Saint John Region Chamber of Commerce, representing business in our region, calls upon government to engage New Brunswickers in developing a system that encourages investment and is equitable for all of New Brunswick. We encourage government to immediately begin to review and implement whole-scale reforms to the provincial and municipal tax code – reforms that will serve to protect New Brunswickers now, and in the future, and that will ensure that taxes in New Brunswick are fair, equitable, and competitive.

Dick Daigle is the chairman of the Saint John Region Chamber of Commerce.