Real property tax reforms for real growth

CLAIRE RYAN & DAVID DUPLISEA COMMENTARY

Claire Ryan and David Duplisea from the Saint John Region Chamber of Commerce argue that ending double taxation in New Brunswick is a key municipal reform. PHOTO: MENMOMHEALTH/FLICKR

In preparation for the upcoming provincial election, the Saint John Region Chamber of Commerce has joined an alliance of organizations including the Atlantic Chamber of Commerce, *Le Conseil Economique du Nouveau-Brunswick*, Fredericton Chamber of Commerce, New Brunswick Business Council and Greater Moncton Chamber of Commerce. In strategically aligning our priorities for the upcoming provincial election, we have collectively identified five key areas of commitment.

Among the five key areas, we recommend a commitment to making New Brunswick a private-sector-driven economy, and we would like to bring this to a more granular level in reviewing New Brunswick's property tax system.

We can cite many advantages to living and investing in this region: unsurpassed quality of life; affordable real estate and housing options; first-class recreation and entertainment facilities; a well-educated, skilled, and bilingual workforce; an excellent, digitally-advanced communications infrastructure; and a strategic location linked to the U.S. Atlantic seaboard, North and South America, and beyond by road, rail, deep water ports and air.

Yet despite these advantages, we struggle with several avoidable disadvantages that create roadblocks for investment and development, and put New Brunswick at a serious disadvantage when compared with the rest of the country.

One such disadvantage is our high property tax burden.

New Brunswickers pay some of the highest property tax rates in Canada and we are the only province in Canada to charge the“double property tax”on non-owner occupied residential, recreational, commercial and business properties.

All property owners receive a municipal tax bill from the province based on the assessed value of their properties. However, non-residential properties (businesses) and properties where the owner is not the full-time occupant (non-owner occupied), also receive an additional provincial property tax bill. This provincial tax on non-owner occupied properties and businesses is collected and re-distributed across the province to ensure equitable standards of service and opportunity are available for all citizens, regardless of the financial resources of the locality in which they live.

Everyone has access to and benefits from local/municipal and provincial services. The level of services delivered to all properties is the same regardless of whether it’s a non-residential (businesses) or residential property, yet under this current model, owners of non-residential and non-owner occupied properties essentially pay twice the tax but get no additional benefit.

It’s been nearly 55 years since the concept of this tax framework was introduced as a means to ensure equality across the province. Since that time, we have experienced significant population changes as a result of youth emigration, aging demographics and a population shift from rural to urban centres. We have not witnessed significant, widespread growth and investment in several years.

Considering these demographic changes and the impact property taxes have on investment and expansion opportunities in our region, investors like Keith Brideau, president and CEO of Historica Developments in Saint John, are calling on the provincial government to review all policies and procedures related to the property tax rules and to overhaul the system broadly enough to create a fair, equitable and competitive environment for all.

“Property taxes make up almost 50 per cent of a non-owner occupied property owner’s expenses,”Brideau told us.“The provincial property tax is such a burden, it doesn’t even give investors a chance to make money so they can keep growing. We have to eliminate the double property tax to level the playing field and make our province competitive compared to the rest of the country.”

Mr. Brideau and other members like Andrew Pettipas, broker/owner at Eastern Insurance Incorporated, argue the double tax restricts the investment needed to grow our cities.

“Removing the provincial portion of the property tax is a first step toward bringing New Brunswick in line with the rest of Canada and toward a more fair and competitive property tax system across the board,”Mr. Pettipas said.

This an issue for our members and that makes it a priority for our chambers. This double tax is an extra burden that affects everyone – not only real estate investors. We pay the double tax on cottages and vacation properties. We pay the double tax on rental income properties. It negatively 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 real estate investor’s issue, or 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 supporting this tax burden through higher rents, individual renters have less disposable income to spend on retail goods and services. Alternatively, when our workforce is strong and our business and investment climate is confident, there are more people spending more money on goods, services and taxes. That means more money for services such as road repair and for strengthening our social safety net.

The Saint John Region Chamber of Commerce and the other business organizations are eager to be part of a solution that brings people and investment to New Brunswick. We encourage government to review and implement long overdue reforms to provincial and municipal tax codes. We need real property tax reforms now if we are to have real growth in our future.

Claire Ryan is chair of the Saint John Region Chamber of Commerce.

David Duplise is CEO of the chamber.