APPENDIX

(*See p. 538*)

STANDING SENATE COMMITTEE ON BANKING, TRADE AND COMMERCE

REPORT ON THE SUBJECT MATTER OF BILL C-20, "AN ACT TO AMEND THE INCOME TAX ACT TO PROVIDE A TAX CREDIT IN RESPECT OF MORTGAGE INTEREST AND HOMEOWNER PROPERTY TAX"

DECEMBER 6, 1979

On Wednesday, October 29, 1979, Bill C-20, intituled "An Act to amend the Income Tax Act to provide a tax credit in respect of mortgage interest and homeowner property tax" received first reading in the House of Commons. This Bill is intended to implement the Ways and Means Motion relating to the Income Tax Act tabled by the Minister of Finance on October 25, 1979.

By resolution of the Senate on November 1, 1979, the Standing Senate Committee on Banking, Trade and Commerce was authorized to examine and consider the subject matter of the Bill in advance of the Bill coming before the Senate or any matter relating thereto.

In accordance with the Order of Reference, your Committee has received and considered the said Bill C-20 arising from the Ways and Means Motion and in connection with such consideration has engaged the services of Mr. Charles Albert Poissant, C.A. of Thorne Riddell & Co., Chartered Accountants, and retained as its counsel, Mr. Thomas S. Gillespie of Ogilvy, Renault. The committee has discussed the Bill with officials from the Department of Finance, Mr. R. Alan Short, Director, Tax Policy Legislation and Mr. Vern Krishna, Chief, Tax Policy and Legislation Branch.

The committee has made a detailed examination of the provisions of the Bill and their application. The committee has not dealt with nor does it intend to report on the principle of the Bill.

GENERAL

This Bill introduces two tax credits for Canadian resident homeowners. According to the officials of the Department of Finance, 1.5 million Canadians will benefit from the property tax credit. Furthermore, 2.3 million will benefit from the mortgage interest tax credit.

In summary, Bill C-20 will operate as follows:

Every Canadian resident owning a qualified home will be entitled to a tax credit of $250 a year to assist him in paying his property taxes and will obtain a tax credit equivalent to 25% of mortgage interest paid during the year up to a maximum of $1,250. Tax credits aggregating $1,500 will be available when the plan is in full operation, that is in 1982.

One-quarter of the annual amount of such tax credits may be claimed by those entitled thereto in 1979, one-half in 1980, three-quarters in 1981, and the full amount of the said credits will be available in 1982 and thereafter.

PROPERTY TAX CREDIT

The property tax credit will not be related to the amount of property taxes payable by a taxpayer on a qualified home. Rather, it will take the form of a credit of $250 (when the credit is fully matured) regardless of the amount of property taxes paid or not.

MORTGAGE INTEREST CREDIT

Interest on the following types of debt obligations will be eligible:

(a) Loans, whether secured by the home of the taxpayer or not, outstanding on or before September 18, 1979, to the extent that they were used to finance the acquisition of, or a major alteration or addition to, a qualified home.

(b) New loans taken out after September 17, 1979, that are in the form of a mortgage or similar debt obligation secured by the qualified home. These loans will qualify to the extent that they are used to finance the acquisition of, or a major alteration or addition to, such home.

Loans to renew or refinance loans described above that were originally taken out for acquisition of, or a major alteration or addition to, the home will also be eligible. Such loans taken out after September 17, 1979, would have to be in the form of a mortgage or similar debt obligation secured by the home, in order to qualify. However, the principal amount of the new loan cannot be greater than the principal amount of the replaced indebtedness on the same qualified home.

Alternations or additions costing less than $5,000, house furnishing and normal repair and maintenance expenditures, such as those for painting and redecorating, will not be eligible for the purposes of this measure.

Interest that is already deductible and not otherwise refundable in computing the taxpayer's income as an expense to earn income, will not be eligible for the mortgage interest credit.

The mortgage interest credit will apply to any self-contained dwelling unit located in Canada that was ordinarily occupied by the taxpayer during the year and was owned by the taxpayer. A home will include a single family dwelling and a self-contained dwelling within, or as part of, a multiple-unit residential building, such as a semi-detached house, a duplex, or a condominium apartment. No specific reference is made in the Bill to mobile homes. The Minister has indicated in his