Mortgage Tax Credit

Mr. Blenkarn: When a person owns his own home, one of the things he wants to do is to be able to sell that home when he can no longer look after it, must sell it and perhaps rent an apartment. This tax measure increases the saleability of houses for people who have paid for their homes. Let us not forget that factor. The saleability of their homes is increased because the buyer can go out and borrow on a mortgage to pay them off, to buy the property and to deduct from his income tax payable part of the cost of carrying his mortgage. There will be a 2 per cent or 3 per cent, or in some cases, a 4 per cent allowance off his 12 per cent interest factor which he will pay on his first mortgage. It is an important allowance. It makes the homes of senior citizens or people who have paid off their homes, more saleable on the market, and increases the mobility of property. That allowance to many people will be equivalent to $125 per month. It makes it possible for them not to have to be renters, but they can be owners. Surely our social policy is to make it possible for people to own a piece of Canada and be a part of Canada.

Some hon. Members: Hear, hear!

Mr. Watson: Mr. Chairman, Bill C-20 will permit the government's mortgage interest and property tax credit plan to begin in the current taxation year. It will provide a maximum tax credit of $312 for mortgage interest payments, and a flat credit of $62.50 for property taxes in the first year. These credits will rise to $1,250 per year on mortgage interest, and $250 on property taxes when finally phased-in in the fourth year. The tax credits are deducted directly from federal taxes payable.

The tax credit for mortgage interest will be 25 per cent of the first $5,000 of interest paid, to a maximum tax credit of $1,250. Unfortunately the property tax will be a maximum flat rate of $250. It is set at that level because, while the government recognizes a significant interprovincial variation in provincial property taxes and tax relief measures, it does not seem to recognize fairness would require that there be a variation in the property tax credit as well.

Thanks to the criticism by the Liberal party, particularly directed to the original plan contained in the Conservative election platform, at least Bill C-20 is fairer than the original one proposed. The plan no longer contains a straight deductibility of interest from mortgage payments but has substituted tax credits.

The Americans have had a mortgage interest deductibility system in place for 66 years. But a large majority of American Congressman and Senators, both Republican and Democratic, feel that their system is inequitable, benefits above all the wealthy, yet is almost impossible to change, let alone eliminate, because of the large numbers of taxpayers who perceive that they benefit from the system.

Why did I vote against this bill at second reading? It was primarily because Bill C-20 is unfair to so many Canadians. There are 7.5 million households in Canada, but 4.4 million homes in Canada are occupant-owned. The remaining are rented and are not eligible for the benefits of this bill.

[Mr. Blenkarn.]

Some hon. Members: Oh, oh!

Mr. Watson: But unfairness to renters is only part of the inequities contained in this bill. Forty per cent of Canadian home owners do not have mortgages. There are more than 1.8 million Canadian home owners, many of them senior citizens, who do not have mortgages and will be ineligible for the mortgage interest tax credit. It is true that they will be eligible for the $250 municipal tax credit, but if they live in Quebec or in certain other areas of Canada where financing of municipal services is not included in house mortgages but is handled through the municipal tax system, the municipal taxes are consequently much higher and those people in those areas are doubly adversely affected.

● (2150)

[*Translation*]

The mortgage tax credit represents a rather large percentage of total property tax in certain parts of Canada. However, in Quebec the system for financing municipal services is quite different. Up until recently the price of land in Quebec did not include the cost of municipal services. The cost of services was covered by municipal tax bylaws which means that, in general, in Quebec the cost of municipal services is not included in the mortgage and is paid with the annual municipal property tax. Municipal services in other provinces are usually included in the price of the land and consequently are part of the mortgage.

Bill C-20 gives a proportionately much higher write-off in respect of mortgage interest than in respect of municipal taxes so home owners in Quebec are seriously disadvantaged by the provisions of Bill C-20. I ask the minister to consider an amendment whereby people in those areas of Canada where municipal services are financed by local tax by-laws and taxes rather than mortgages would have their property tax credit increased to $500. That I think could be done while at the same time keeping the maximum tax credit at $1,250, and that would ensure a much more equitable distribution of the benefits of this bill among the taxpayers in all areas across Canada.

[*English*]

I note that the Prime Minister is in the House and, if I may attract his attention for a minute, I would propose an amendment which I think should come from the government as it would involve an expenditure of money in a slightly different way from that contained in the bill, but not very much different. It flows from the difference in municipal tax financing arrangements which exist in Quebec as compared with those of other provinces.

To make it very clear, what happens when a new development is built in Quebec, is that instead of having the municipal services included in the cost of a lot, these services are financed by municipal bylaws which apply to a street that is being developed, and the buyer of a home, instead of having the lot cost more with the mortgage subsequently higher, pays a lower cost for the lot and a lower cost for the home, but pays