

### *Mortgage Tax Credit*

for them to realize, and therefore they have been able to become home owners.

● (1540)

To the present time there has been no particular incentive to mortgage one's home other than for the purpose of home purchase. Opening such a tax proposal to all home owners certainly will entice home buyers to buy with a mortgage, particularly if the home owner can use the funds for other purposes. Current bank rates on consumer loans are substantially higher than mortgage interest rates and, of course, the interest payments on consumer loans would not be deductible for tax purposes. I should like to make a comparison with the United States where all interest is deductible; therefore, there is no direct incentive to mortgage one's home if the money can be obtained from another source for the purposes of buying consumer goods.

The inevitable competition for available mortgage funds will lead the lending institutions to be more selective. A long-term or a more senior employee with his higher income security and salary level will be preferred. The marginal cases will be cut off. The older the person, the more difficult it becomes to obtain financing at competitive rates, particularly if an older person has a relatively small income. Lending institutions will not be inclined to mortgage the homes of these citizens. Thus a person who has spent most of his or her productive years paying off a mortgage will be unable to take advantage of the deductibility proposal available to other home owners, simply because mortgage funds will not be available to that person.

Few will dispute the provincial jurisdiction in the construction field. One might question whether the type of intervention perceived in this federal proposal, whilst undoubtedly within the federal sphere of influence, is not an attempt to encourage certain lifestyles with no previous agreement from the provincial governments as to the effect and acceptability of such a proposal. Is this not in direct contravention of the stated aims of the present government first to consult with the respective provincial authorities prior to an intervention which may run contra to the stated aims of some of the provinces?

I should like to make a special comment here about the Quebec case. Throughout the country 62 per cent of Canadians or 4.4 million are home owners, though I heard the Minister of Finance in his remarks refer to some figure of 3.8 million families. Anyway, give or take a few hundreds of thousands, approximately four million persons are involved. However, among Francophones only approximately 45 per cent own their own homes, with the others living in rented accommodations.

It has been argued that the program will encourage more Quebecers to own their own homes. This argument obviously is based on the incentive of cost reduction. The implication is that it is not because of choice of living style that fewer Quebecers own their homes. However, if by this argument one relates the percentage of ownership to regional income levels, then one is forced to question why the highest level of home ownership is in the maritime provinces, the region of the

country that, by the same argument, has a population which should least be able to afford to own homes. Thus the rate of ownership of non-Francophones is 1.5 times greater than that of Francophones, 70 per cent compared to 45 per cent.

In addition to the considerably lower ownership rate among Francophones, there is also the average family income differential which will affect greatly the relative house values and therefore the mortgage totals for the two linguistic groups in our country. In Quebec the average family income for home owners is \$19,300, compared to \$21,200 in Alberta, \$22,100 in British Columbia and \$22,500 in Ontario. On a per capita basis, the financial benefit from the program will be as much as 60 per cent more in the provinces of Alberta, British Columbia and Ontario as compared to Quebec. This is a direct reversal of the principle inherent in the equalization payments program.

Many persons have saved to increase the equity in their homes. This has been accomplished either by increasing the amount of the down payment or by paying off part of the mortgage before maturity. These people will receive less benefit from the plan than those who have a minimum investment in their homes. The pride of ownership of a mortgage-free home would be discouraged by our tax system.

The 2.4 million Canadians who rent their homes in many cases already are benefiting from the fact that interest costs on multifamily structures are considered an expense for tax purposes. However, there are two ways in which the family that rents will be disadvantaged by the plan. First, all citizens, owners or renters, will contribute to the cost of a program in which they cannot or do not choose to participate. Second, a tenant who cannot afford or chooses not to buy a home does not have the opportunity to raise funds by mortgaging or remortgaging a home. Therefore, the tenant does not have the same capacity for raising funds and must borrow at higher interest rates, and in addition does not have the interest deductibility provision of the home owner.

Whilst talking about the cost, I re-emphasize, as I have said previously in the House, that if one spreads the total cost of this program over all taxpayers, one could compare it to an increase in tax for every single federal taxpayer in this country of something in the order of 15 per cent. If one says right away that there is not to be an increase in tax in the next budget which we will see on December 11, I can only say that if this measure had not been brought in, then it would have been possible to have given everyone a decrease in tax to compensate. The cost to every single federal taxpayer in Canada of this program is equivalent to 15 per cent of the taxes which they presently pay. Therefore, a person presently renting accommodation will be dipping into his pocket to the extent of 15 per cent of his taxes to help his neighbour who has made the free decision to purchase a home for himself or herself.

With no capital gains tax applicable on the principal residence of a family, the appreciation in value as a percentage of invested capital has not been a tax consideration. In the United States, which already permits mortgage interest as a deductible, capital gains tax applies to a residence. One will immedi-

[Mr. Herbert.]