

Income Tax Act

Progress reported.

Mr. Deputy Speaker: It was agreed earlier that the Minister of Finance (Mr. Turner) would request leave, when the Speaker was back in the chair, for the printing of the analysis of clauses or subclauses appearing in Bill C-170 and not referred to in the ways and means motion. Is it agreed that these be printed under this part of our proceedings?

Some hon. Members: Agreed.

[Editor's note: For text of analysis referred to see Appendix "A"]

PROCEEDINGS ON ADJOURNMENT MOTION

SUBJECT MATTER OF QUESTIONS TO BE DEBATED

Mr. Deputy Speaker: It is my duty, pursuant to Standing Order 40, to inform the House that the questions to be raised tonight at the time of adjournment are as follows: the hon. member for Wellington-Grey-Dufferin-Waterloo (Mr. Beatty)—Canadian Pacific Railway—site for dumping of garbage from metro Toronto; the hon. member for Saskatoon-Biggar (Mr. Gleave)—Agriculture—feed grain—suggested additional compensation to western producers; the hon. member for Ottawa East (Mr. Gauthier)—National Capital—inquiry as to purchase of LaSalle Academy by government.

It being five o'clock, the House will now proceed to the consideration of private members' business as listed on today's order paper, namely, notices of motions.

PRIVATE MEMBERS' MOTIONS

INCOME TAX ACT

SUGGESTED AMENDMENT TO PROVIDE FOR DEDUCTION OF MORTGAGE INTEREST ON PRINCIPAL RESIDENCE

Mr. Jim Balfour (Regina East) moved:

That, in the opinion of this House the government should consider the advisability of introducing a measure to amend the Income Tax Act to provide that a taxpayer be entitled to deduct in computing his income for a taxation year, interest paid on money borrowed to finance the cost to build or purchase a home to be used by such taxpayer as his principal residence.

• (1700)

He said: Mr. Speaker, housing is a universal need, yet home ownership is too expensive for the majority of Canadians. Canadians want to own their own homes. Surveys conducted by the task force on housing and veri-

[The Chairman.]

fied elsewhere clearly established that 80 per cent of Canadian families want to live in single family dwellings. If 80 per cent of Canadians want such housing, it is our job to see that they get it, if it is within the power of the House to do so. The effect of the policy I propose would be a dramatic reduction by almost \$1 billion per year in the cost of housing for Canadian families. Much has been said in this House and in the press about the tendency of the government to profit from inflation. Proposals have been made by our party and adopted by the government which will tend to off-set future inflation to some extent.

The deductibility of mortgage interest would in effect reduce the impact of inflation on land and construction costs and interest rates over the past 10 years which have, partly through errors and omissions of government, been out of proportion to the general increase in the cost of living. I cite as an example the recent report that housing in the Toronto area costs 11 per cent more than it did one year ago. While food costs rise people are still eating, while clothing costs rise people are still clothed. The rise in housing costs, however, has deprived many of the prospect of home ownership and committed them to a life of paying rent.

My motion seeks to eliminate what I feel has been a serious loss to the quality of life of lower and middle income Canadians. Canada's population has increased from 21.4 million people in 1970 to 21.7 million people in 1971, and to just over the 22 million mark today. During this period, net family formation has been estimated at well over 200,000 families. The need to increase the supply of reasonably-priced housing for these and existing families in Canada is obvious.

To this end, a comprehensive plan must be evolved which would effectively reduce the final price of a home by compensating for any disproportionate component in the cost of a house. By reducing the final cost of a home, this plan would have the added appeal of increasing real demand and thereby stimulating the economy. This, then, is the problem with which we must deal.

There are three main components in the cost of a house; the land it is built on, the structure itself and the mortgage loan by which it is financed. All three have contributed to the escalating costs in both the home ownership and rental markets. Unquestionably, the largest single cost contributor, in recent years at least, has been the cost of money as reflected in spiralling interest rates.

The rise in interest rates from about 6 per cent to about 9 per cent has added more to the monthly payment of an average mortgage loan than a \$5,000 increase in the price of the building lot would have added without a change in the interest rate. For example, a mortgage with a principle amount of \$16,500 repayable over 25 years at 6 per cent would have a total interest cost of \$15,200. The same mortgage carrying an interest rate of 9 per cent would have a total interest cost of \$24,500, a difference in interest costs of \$9,300 on a mortgage loan of \$16,500. Furthermore, high interest rates have the effect of substantially raising the level of annual income needed to secure a mortgage compared with previous years.

Similarly, cost pressures are affecting the rental market. A rise of 3 percentage points in interest rates, for example, will add between \$15 and \$30 or more to the