

Residential Taxes

● (1710)

Mr. Dan McKenzie (Winnipeg South Centre): Madam Speaker, I rise to support this private member's motion to allow residential taxes and rental payments to be deductible from income taxes, put forward by my colleague the hon. member for Parkdale (Mr. Haidasz). This measure is long overdue and it is one that I have personally advocated for some time. I strongly support the principle that a proportion of municipal property taxes should be deductible from federal income taxes and that comparable tax relief should be extended to tenants.

The Canadian family's dream of owning a single family dwelling is fading faster than ever. Housing costs have soared in the past few years at rates that were thought inconceivable a few years earlier. The cost of borrowing money is prohibitive. Whether the housing crisis is one of shortage or price is of little consequence to the average Canadian taxpayer who must be making at least \$17,000 annually to even obtain a mortgage before he is able to consider purchasing a home; otherwise, he is forced to live in an apartment or row housing.

Approximately 70 per cent of Canadians want to own a single family dwelling on a decent sized lot. Today, in Canadian cities, less than 5 per cent of the population can afford to buy a home and many of these must pay up to half their income in mortgage payments. When one knows of such situations it is very easy to understand why this motion should be accepted. Another reason apart from helping prospective and recent home buyers is the astronomical municipal tax rate in many cities. The people in Winnipeg are a classic example of this. Since unicity was forced on them, the municipal rates have risen in unprecedented jumps. These people are in urgent need of some tax relief.

There are more reasons for this motion being accepted. Every Canadian should, as a right, be able to obtain and live in suitable, reasonable-cost housing with the amenities of landscape. Within the natural constraints of geography and necessary economic and social limitations, the aim of government policy should be to generate sufficient housing stock of various forms so that all Canadians may exercise their freedom of choice as to the style and tenure of housing in which they live.

Canada's extremely high inflation rate of the last half decade has been a main instigator of the present price crisis. The government continues to blame inflation on other countries, but in the housing sector that just will not wash because in most houses presently being built there is nothing imported other than the thermostat control. This excuse is even less plausible than in the other sectors of the economy. The government owes some relief to the people hard hit by these price rises.

The motion before us would not only help alleviate the plight of new home buyers but present home owners as well, people who are being taxed to death by all levels of government. I cannot express too strongly, Madam Speaker, the necessity for this motion to be accepted by the House so that the government is steered into taking some definitive action toward clearing up this very serious situation.

[Mr. Haidasz.]

Mr. Lloyd Francis (Ottawa West): Madam Speaker, I listened with a great deal of interest to the arguments advanced by my colleague the hon. member for Parkdale (Mr. Haidasz) who introduced this motion, and also the hon. member opposite who just spoke. The motion is something of an old chesnut. It usually takes the form of allowing deductions for interest payments on mortgages—that is not included in this motion—or tax payments to municipalities, usually with the aim of encouraging home ownership. There are two objections that have traditionally been raised against this kind of motion. One, that it discriminates in favour of the higher income groups, so my colleague has put a ceiling of \$300 on the claim. The second objection is that it does not do much for those who rent, so he has allowed an equivalent, offsetting deduction for tenants.

I have the greatest respect for my hon. colleague, Madam Speaker, but it is my contention that by introducing these qualifications he has failed to ask himself the basic question. What is he trying to do by the motion? In my opinion, the motion fails to achieve the basic purpose that he has in mind. Two basic principles were put forward by the two previous speakers. One was that it will encourage home ownership—I want to come back to that—by making the deduction available to every taxpayer who qualifies, regardless whether they rent or own a home. I fail to see that it gives any incentive whatsoever to home ownership. It considers tenants and owners on the same basis for tax deduction purposes.

When we talk about tax relief, let us look at the principle behind it and ask if this is the best means of giving such relief. It is my contention that there are more fair and more equitable means of doing so and I think they should be considered in priority to the motion before us.

Let us return to the first proposition, that it will encourage home ownership. The Department of Finance has indicated that something like \$1,800 million would be lost to the treasury if such motions were implemented for the current tax year. If such a sum of money were to be lost to the government in revenues, there would inevitably have to be adjustments in taxes in other sectors.

Let us ask ourselves the basic question: what do we hope to achieve by the measure? The argument is that it will encourage home ownership. Let us consider that in relation to the present tax laws, taking taxpayer A and taxpayer B for comparison. Taxpayer A puts \$40,000 into stocks and bonds and trust income; taxpayer B puts \$40,000 into a home and leaves it there. Taxpayer A has to report the income on his investments of, say, 10 per cent per year and so has to include \$4,000 per year in his taxable income. The owner of the home, taxpayer B, does not have to compute the economic rent of living in the home in his income. Our tax laws do not call for that, although the tax laws of some other countries such as the United Kingdom, do.

The second advantage that the owner of a house has under our present tax laws is freedom from capital gains tax on disposal of his principal place of residence, and that is a substantial advantage. The owner of investments does not have such an advantage when disposing of them, but is subject to the full capital gains tax. It is my contention that if the federal government wanted to go into the