

Toronto Real Estate Board
Submission to the House of Commons Standing Committee on Finance
Brief

RECOMMENDATION

Index the Home Buyers' Plan (HBP) to the Consumer Price Index (CPI) in \$2,500 increments to ensure it never loses its purchasing power.

RATIONAL

- **Inflation steadily erodes the plan's value:** Budget 2009 recognized the need to adjust the HBP for inflation. The limit was raised by \$5,000, the first increase since 1992.
- **A creator of jobs and economic growth:** In 2009, more than 46,000 homes were purchased using the HBP. This resulted in over \$1.9 billion in spin-off spending and more than 16,000 jobs.
- **A gateway to financial security:** The HBP has allowed over two million Canadians to save for both retirement and a home without needing to choose one priority over the other.
- **Indexation is an established practice:** Tax Free Savings Account (TFSA) limits are indexed to the CPI and rounded to the nearest \$500. The HBP should be indexed incrementally as well.
- **No cost until 2015:** Using Budget 2009 as a starting point, the plan would adjust by \$2,500 in 2015 at a cost of \$7.5 million. A further \$2,500 increase would occur in 2020.

RECOMMENDATION

Allow the deferral of previously written off depreciation (Capital Cost Allowance) on an investment property when owners sell in order to reinvest.

RATIONAL

- **Remove a major reinvestment obstacle:** Investors who sell an income property often have insufficient funds after tax to acquire a property of similar value. Consequently, many hold onto properties instead of reinvesting in the community.
- **Level the playing field:** Over half of individuals who would benefit from this policy change have incomes below \$50,000. Real estate developers get tax advantages unavailable to small real estate investors. This includes the ability to defer tax, and a much lower tax rate, depending on their type of business.
- **Unleash a chain reaction of benefits:** Investment in property triggers renovations, retrofits and redevelopment, which accelerates the economy, greens the environment, and revitalizes communities. The average property investment generates \$287,850 in economic spin-off activity. In addition, more than one job is created for every two investments.
- **A fiscally prudent approach:** This proposal reflects a focus on growing the economy, while being fiscally responsible. Indeed, the cost is offset considerably by the collection of other revenue, including Capital Gains Tax from property sales, and GST/HST and income tax from spin-off activity. All deferred tax is ultimately collected when investors decide not to reinvest or later, through their estates.