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Standing Committee on International Trade

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• (1105)

[English]

The Vice-Chair (Mr. Kyle Seeback (Dufferin—Caledon, CPC)): I call this meeting to order.

Welcome to meeting number 69 of the Standing Committee on International Trade. Today's meeting is taking place in a hybrid format, pursuant to the House order of June 23, 2022. Therefore, members are attending in person in the room and remotely, using the Zoom application.

I have a few things to mention.

Please wait until I recognize you before speaking. For the translators, please speak slowly and clearly. For those of you participating virtually, please click on the microphone icon to activate your mike. Please mute yourself when you're not speaking, in order to cut back on feedback. With respect to interpretation, for those of you on Zoom, you have the choice at the bottom of your screen of floor, English or French. Select that as appropriate. For members on Zoom, please use the “raise hand” function if you wish to speak, so that you can be identified by the chair. The clerk will manage the speaking order.

Finally, no photos are permitted to be taken in the room, nor screenshots on Zoom. If you have any technical difficulties, please let me know.

I have one housekeeping item that we should deal with before this starts. You should have all received from the clerk a copy of the draft budget for the study of the underused housing tax on Canadian border communities.

Is it the pleasure of the committee to adopt the budget in the amount of \$12,750?

(Motion agreed to)

The Vice-Chair (Mr. Kyle Seeback): Great.

Pursuant to Standing Order 108(2) and the motion adopted by the committee on Monday, May 29, 2023, the committee is beginning the study of impacts of the underused housing tax on Canadian border communities.

Today, we have with us Richard Halinda, barrister and solicitor. We also have Thomas Davidoff, associate professor at the Sauder school of business at the University of British Columbia, by video conference.

Welcome, everyone. Thanks for taking your valuable time to come here today.

We'll start off with opening remarks, and then we're going to proceed to rounds of questions.

Mr. Halinda, I invite you to start. You have somewhere around five minutes.

Mr. Richard Halinda (Barrister and Solicitor, As an Individual): Thank you, Mr. Chair.

It's a privilege to be here at this committee. Hopefully I can help you out in understanding this UHT and what we need to do about it.

I am a practising lawyer from Niagara. I've been practising for over 40 years. I'm native to Niagara.

A good part of my practice is looking after U.S. citizens who have cottages in Ontario—mostly in Niagara, but all over the province—most of which are owned by middle-class Americans generationally. My representation involves buying and selling these cottages and also helping the families to do estate planning with these cottages to pass to the next generation. I also look after the Canadian tax filings for them, so I have a long working relationship with CRA—that's for sure.

Niagara is a community that borders Buffalo, New York, and Niagara Falls, New York. Really, we are one community with a river that runs through it. That's the bottom line: We're one community. In this case, it happens to be the Niagara River. Many of us spend time on both sides of the border.

My understanding is that the purpose of the UHT Act was to address the fairly recent crisis in the housing market for Canadians in the big urban centres and to tax non-Canadians who have parked their money here, buying up residential properties while these units are sitting vacant and underused. That is a noble objective, and I support it one hundred per cent. It's worth implementing, but only in the right circumstances.

It makes no sense when we're dealing with residential properties that have been purchased and used by non-Canadians for many years as summer residences or what we call "cottages". Specifically, our area in south Niagara, which consists of Fort Erie, Crystal Beach, Port Colborne, Wainfleet and actually the whole north shore of Lake Erie from the Peace Bridge all the way to the Ambassador Bridge in Windsor, has been cottage country for U.S. citizens for over a hundred years. Many families are into their third generation of owning these cottages. These are not the people who have parked their money in Canada for passive income. They reside here during the summer months, generally May 24 until Labour Day. They are members of our local community, including our sporting organizations, clubs and churches, a number of which they have founded or co-founded, as well as being big supporters of our local businesses and cultural events. Those members on the committee who live in similar areas will be familiar with these summer residents and what they mean to our communities.

The act sets every non-Canadian residential owner the task of filing a UHT tax return, which is different from the T1 returns that we file, and each of these property owners has to first obtain a Canadian tax ID number to do so. The requirement for them is to file and, if they don't have an exemption from the tax, to pay the tax, which is equal to 1% of the value of the property. This has left a bad taste in the mouths of many of our U.S. citizens who are our summer residents. They believe that the community—that is, the Canadian element of our community—has abandoned them, and we've seen an exodus as they have been selling their cottages.

We were advised that this act and the regulations would exempt cottages and recreational properties, but that has proven not to be the case. The act has created a series of available exemptions from the payment of tax, but there are too many inequities as to how those are implemented.

I could speak for a couple of hours on this. I understand I have only five minutes and I've already used some of that up, so I would be more than happy to discuss this through the question-and-answer period and I welcome any questions you have in that regard. However, I would say simply this: In my opinion, the exemption from the requirement to pay tax should be based on usage—that was the idea—and not so much on where it is located. We have situations in which one summer resident here is exempt and another on the same street is not exempt. That's just one of the inequities that I can talk further to you about.

The act and its regulations have created and have had an inequitable and discriminatory effect on our U.S. summer residents. I've offered my time to the government to sit down with decision-makers or drafters of legislation to produce further regulations under the act to eliminate these problems. I've even provided sample draft clauses for this purpose. In February, I wrote to the Honourable Deputy Prime Minister in regard to this, and I'm waiting for the response from her or from people in her office. I'm prepared to work with everybody on this.

- (1110)

These issues are not true just for Niagara but for countless waterfront areas, lakes and rivers all across our country. This is more

than just a border community issue, but it is a border community issue as well.

The filing deadline for the 2022 UHT return and the payment of the tax was extended by the government to October 31 from the April 30 requirement. These regulatory changes are needed to be in place by then, so there is a sense of urgency to this matter. Our summer residents deserve to be treated fairly and better than they have been. We would expect nothing less for our Canadians who winter in the United States, and we would not want any kind of reciprocating tax to be applied to them.

I know that this has been talked about. I believe that Congressman Higgins will be talking to you this afternoon, and I'm sure he will have something to say about that. I don't want us to go there. I would be more than happy to assist this committee in its further investigations and deliberations on this matter. I can provide you with written materials.

However, the bottom line is that taxing these cottages is not going to do anything to solve the housing crisis that this act was supposed to deal with.

The Vice-Chair (Mr. Kyle Seebach): I'm going to have to interrupt you there. I gave you a little extra time because we only have two witnesses this hour, but we will now have to move to our next witness.

Please go ahead.

Dr. Thomas Davidoff (Associate Professor, Sauder School of Business, University of British Columbia, As an Individual): Hi there. My name is Tom Davidoff. I'm a housing economist at the University of British Columbia.

I'm going to focus my remarks on the following considerations. Number one, expensive housing markets in the U.S. historically have had high property tax rates overall and required Canadian owners of vacation properties to pay higher effective rates than some U.S. residents. Number two, taxes on homes that are not primary residences are a reasonable form of taxation. Number three, I don't see a strong case for imposing taxes or quotas differently by nationality, as good alternatives are available.

On the first point, the U.S. has only recently eliminated federal income tax deductions for local property taxes. An American with a combined state and federal marginal tax rate of 40%, and with sufficient itemized deductions, received a 40% tax break on their property taxes through deductibility. I enjoyed large writeoffs in that way when I taught at UC Berkeley and owned a home in Oakland. Of course, that would not be available to a Canadian who owned a property in the U.S. because they are not U.S. taxpayers.

While that preference was recently removed, I don't believe that fairness considerations with respect to Canadian owners of U.S. property played an important role in that rollback. In fact, I suspect it had nothing to do with it at all. I am a proud dual U.S. and Canadian citizen, but in this case I do not believe unfair differentials in property tax rates between Americans and Canadians should be an important consideration.

On the second point, expensive Canadian cities, particularly Vancouver, where I am now—thank you for letting me speak remotely—have highly suboptimal mixes of income and property taxation. Our tax system, roughly speaking, provides the following instructions: Do not work for a living; we tax income and sales at high rates. Do buy property; residential property faces very low mill rates relative to the U.S.

That's the tax code, but by contrast, our regulatory system provides the instruction that affordable homes should not be built. Instead, we reserve most of our land for single-family homes, which are far beyond the reach of the overwhelming bulk of the income distribution in Vancouver and Toronto. Of course, developing raw land is—appropriately—very difficult.

What's the outcome of that combination of taxes and regulations? We've invited the local and the global rich to buy property in Canada and have fed gigantic investment demand for Canadian homes, which is pushing up prices. That's not the only cause of housing unaffordability here, but it doesn't help.

Here's a fact from research done with students of mine, Paul Boniface Akaabre and Craig Jones, and I've included links to two relevant papers.

Homes in the top 5% of value in greater Vancouver, as of 2018, had a median value of \$3.7 million, but the median owner of these homes paid income taxes of just \$15,800. Buying that home with Canadian taxable income and 20% down would involve paying hundreds of thousands of dollars in annual income taxes. The relationship between earned income in Canada and property value is very weak in greater Vancouver.

Instead of low property taxes and high-income sales taxes, we should have the opposite. We should have low income and sales taxes and high property taxes. As you know, pushing for generally higher property taxes is politically unwise, so that's not on the policy menu. However, it is entirely reasonable to approximate good policy by requiring owners of properties who do not contribute income taxes here to pay higher property taxes. Empty homes taxes in Vancouver and B.C. have raised considerable revenue provincially and appear to have returned many homes—thousands and tens of thousands, even—to primary residence use.

The foreign empty homes tax is one approach, but an alternative would be just to charge an alternative minimum tax based on property value. Just in greater Vancouver, a very reasonable minimum income tax of 1% of property value would raise something like \$2 billion annually.

What do I mean by that? I mean that if you have a million-dollar home, you have to pay \$20,000 in income tax. If you pay \$10,000 in income tax, then under that proposed alternative tax, you'd kick in an additional \$10,000. You could raise \$2 billion a year from that annually in greater Vancouver and a similar amount in greater Toronto, which is larger but where incomes and property values are more closely linked.

Using income taxes paid or declared rental income as exemptions, along with long-term primary residence exemptions for seniors, you'd obviate any of the ethical and trade problems associated with nationality-based taxes and bans.

• (1115)

Thank you.

The Vice-Chair (Mr. Kyle Seeback): You get the gold star for timing. You had four seconds left. You did exceptionally well. Those were some great points.

I'll turn to our first round of questions, and I'll go to Mr. Baldinelli for six minutes.

Mr. Tony Baldinelli (Niagara Falls, CPC): Thank you, Chair.

Thank you to our witnesses for being with us this morning.

I'm going to begin by going to Mr. Halinda.

Today's study is on the impacts of the underutilized or underused housing tax on Canadian border communities.

Mr. Halinda, you talked briefly about the uniqueness of our community and the relationships. I always say it's a binational community. Americans have been locating cottages there since the 1800s. I think the Crystal Beach Amusement Park was built in 1888, and the Cherry Hill golf course, which hosted the Canadian Open in 1972, was formed and built in 1922 by nine Americans who were cottage residents there.

I was wondering if you could quickly talk about the uniqueness of our community.

Mr. Richard Halinda: Thank you.

Yes, it is unique and again there are many spots along the lake—I'm familiar with Lake Erie because I grew up there—but at the end of the 19th century, many Americans came over to the northern shore of Lake Erie and bought property. In fact, they opened up subdivisions there where cottages were being built. This is before there was a Peace Bridge and they had to come over on a ferry. That ferry left the city of Buffalo and landed in the little village of Crystal Beach, a little hamlet. There in 1888, you're correct, the Crystal Beach Amusement Park was built, one of the first ones in the area. That whole area became a summer resort.

There are hundreds and hundreds of cottages that were built there, all by Americans, from 1888 through the end of the First World War and thereafter, so they're part of the community. They live there.

I grew up in Port Colborne, as I think I said. I knew when the May 24 weekend was because our pastor would stand up in that pulpit and say one thing he said once a year, "I welcome our summer residents." Now, he didn't say, "I welcome the foreigners", "I welcome the non-citizens", or "I welcome the Americans". They were the "summer residents". That's what my parents called them, and that's what we called them. They were the residents of our community.

If you don't live in a border town, that may be hard to imagine, that two different countries could be together, live together as one, but that's how I grew up and it's still that way to this day.

• (1120)

Mr. Tony Baldinelli: I agree with you, and that's how I've grown up as well. My wife went to nursing school at Dyouville. My brother put both his boys in high school in Buffalo. Despite the fact he only lives two minutes away from me, he puts them in high school in Buffalo. It isn't an international border. It's a river that separates two friends, for example.

The government said it would have consulted with stakeholders prior to the implementation of the unused housing tax. When were you first made aware, or did you or any of the residents you represent have any input into the stakeholder discussions?

Mr. Richard Halinda: I did not, nor did any of the people I know have any contact with it.

I came across it because, at the Canadian Bar Association when new legislation comes out, we get notice of it. I got a copy of the UHT Act and I read it. That's when I really learned about it. It's a very difficult act to read, as most tax acts are. I do tax work, so I know they're difficult to write and they're even more difficult to read, but I had some real concerns with it. Therefore, I started on this avenue to try to learn about it and to get this thing fixed, because I thought there were issues in March 2022. I've been at it for more than a year.

Mr. Tony Baldinelli: Thank you for that.

I had the same.... I was contacted by an American resident in February of 2022, wrote to the government in March of 2022, actually raised it during my budget discussions in the House of Commons in April, and then we held summer consultations in 2022 with American residents, all trying to get clarification on the rules. We're here a year later, and we're still seeking clarification on some of the rules.

You say there could be some quick regulation changes that could address some of the concerns. Could you not only table that information, but could you quickly describe some of the regulation changes that you think would handle these concerns?

Mr. Richard Halinda: In a nutshell, there are a couple of things that we could do very easily.

The regulations set up a scheme of rural and urban areas. Now, these are not based on where the cottages are. These are based on the census maps that the Government of Canada has that define urban and rural areas. If your cottage is in a rural area and you're there 28 days a year, you're exempt from the tax. You still have to file, but you're exempt from the tax. It makes sense because you're using it. It's not underused. However, if you're in an urban area, you don't get the 28-day exemption even if you're there for 128 days, which makes no sense.

If we go back to Crystal Beach, this little community of 8,500 people, all these cottages built around that park—the park is gone now, but the beach is still there, a beautiful beach—don't get the exemption because, from the census map, they're in an urban area.

Why?

If they're using it, why aren't they getting the exemption? It should not matter whether you're in the rural area or the urban area. If you're using it, you're using it. It's not underused and it's not vacant. That's the first thing—

Mr. Tony Baldinelli: Thank you for that.

Can you table your proposed regulation changes that you'd like to see and also the letter you've written recently to the Deputy Prime Minister?

Mr. Richard Halinda: I'd be happy to do that.

Mr. Tony Baldinelli: Thank you.

The Vice-Chair (Mr. Kyle Seeback): That's great.

That's your six minutes.

Now we'll turn to Mr. Virani for six minutes as well.

Mr. Arif Virani (Parkdale—High Park, Lib.): Thank you very much.

Thank you, Mr. Halinda and Mr. Davidoff, for your testimony.

Mr. Davidoff, I want to start with you.

The genesis of what we have with the underused housing tax is dealing with housing affordability and the fact that housing affordability is informed by many components, as you outlined. One of them is people who effectively are parking money in Canadian properties and not using those properties, and that's actually depriving Canadians of a chance to purchase those homes. It's making those homes more expensive to purchase or sometimes even depriving them of an opportunity to rent those homes.

Do I have that aspect of the rationale correct, Mr. Davidoff?

• (1125)

Dr. Thomas Davidoff: I can't tell you what the rationale of the government was. I'm sure it was a concern about housing affordability. Of course, homes that aren't used as primary residences, be they by non-Canadian or Canadian people able to afford second homes, take away the affordability for people who just work for a living in a given market and want to live in a home.

Mr. Arif Virani: You're talking from Vancouver and I represent constituents in Toronto, but this isn't just a Vancouver or Toronto phenomenon. Is that fair? The escalating price of housing is something that's affecting Canadians across the board.

Dr. Thomas Davidoff: I believe that is absolutely correct. People are mobile, as you know, and immigrants are particularly mobile inherently. Before too long, the deal—the total amenity, wage and cost of living package—in any two Canadian cities has to equalize. It can't be a better deal to live in Moose Jaw than it is in Vancouver, or else everybody would move from Vancouver to Moose Jaw. Problems in one Canadian community eventually are going to be problems in all Canadian communities.

Mr. Arif Virani: In calibrating, there has been some talk thus far about the consultations that took place, etc., but in calibrating the actual tax itself there are some efforts made to ensure that people who are using their properties, as opposed to those who are leaving them vacant, are not caught. Can you talk a bit about some of the exemptions that were made?

I'm going to direct you to two. I understand that if your property is not accessible year-round.... Let's say it's just a summer property and can't be accessed year-round. That's not the type of property that a Canadian might want to buy and live in as a year-round home. Therefore, that's not subject to this tax. If you can, confirm if my understanding is correct.

Secondly, with respect to the exchange we were having with Mr. Halinda here, can you comment a bit about this issue of using a property for 28 days as long as it's in an eligible area? How is that exemption operating on the ground?

Dr. Thomas Davidoff: Is that for me or Mr. Halinda?

Mr. Arif Virani: It's for you first, and then I'll ask Mr. Halinda to comment as well.

Dr. Thomas Davidoff: I'm going to defer to Mr. Halinda in terms of implementation on the ground.

Mr. Arif Virani: Can you just clarify? Is my assessment accurate with respect to seasonal properties that are open only in the summertime, for example? If it's not a year-round cottage—it doesn't have heating—it is not subject to this kind of tax. Is that correct?

Dr. Thomas Davidoff: That's my understanding, but I didn't implement it. I'm not familiar with that detail.

Mr. Arif Virani: Okay.

Mr. Halinda, can you comment? If I understand it correctly, the gravamen of your concern is that it's fine that we have a usage requirement of 28 days, but you're concerned about how the eligible area is defined. You're saying that pursuant to the census, which we're using as the criterion, it's casting too wide a net in fairness from your perspective.

Mr. Richard Halinda: Yes.

Mr. Arif Virani: How would you propose that it be recast?

[Translation]

Mr. Simon-Pierre Savard-Tremblay (Saint-Hyacinthe—Bagot, BQ): Mr. Chair, the interpretation was interrupted.

[English]

The Vice-Chair (Mr. Kyle Seeback): Can we check the interpretation?

Is the interpretation functioning now? Yes. That's excellent.

I'll give you 20 or 30 seconds more. Please repeat the question.

Mr. Arif Virani: I'll repeat the question.

I understand that the gravamen of your concern is that there's a 28-day exemption. If you're using it for 28 days or more, that's great, but it only applies to certain eligible areas. In terms of the way an eligible area is defined, whether a place is rural or urban, that net has been cast a bit too wide based on the census that we're using as a criterion.

That is my understanding. Is that correct?

Secondly, how would you propose that we redefine what an eligible location is for this exemption?

Mr. Richard Halinda: Yes, they have this eligibility for this 28 days only in the rural areas. If you're in an urban area, you're not entitled to the 28-day exemption. To me, if you're using it, you're using it. One of the suggested changes I made was to have that differentiation between rural and urban eliminated. What do we need that for?

Mr. Arif Virani: Would you agree that there are acute housing and costing issues in urban centres in Canada?

Mr. Richard Halinda: Yes, I do—in the urban centres, absolutely.

I'm a little bit familiar with Toronto. I don't know how many cottages there are in Toronto.

Mr. Arif Virani: If there was no rural or urban divide, effectively, would the exemption of 28 days apply to a downtown Toronto condo, or one in Montreal, Calgary or Vancouver?

Mr. Richard Halinda: I see where you're coming from on that, so there definitely needs to be something with that. Again, if you're looking at the type of residential unit it is, you could work through that, I would think.

• (1130)

Mr. Arif Virani: Pursuant to what Mr. Baldinelli said, I think it would definitely be helpful to see the proposed changes in writing, because that would be helpful for our deliberations.

I'll stop there. Thank you.

[Translation]

The Vice-Chair (Mr. Kyle Seeback): Mr. Savard-Tremblay, you have the floor for six minutes.

Mr. Simon-Pierre Savard-Tremblay: Thank you, Mr. Chair.

I acknowledge my colleagues and thank all the witnesses for their presentations.

Mr. Halinda, my first question will be along the same lines as the one Mr. Virani asked you.

The definition of a cottage should focus more on the building than on the distinction between rural and urban. I think that's sort of the door you were opening at the end of your remarks. When we think of a cottage, we immediately think of a rural community. I don't know if you have any figures on that, but I imagine that the vast majority of buildings called cottages that are subject to the tax are in rural areas.

[English]

Mr. Richard Halinda: I don't have any data on how many would be in the rural area as opposed to the urban area. I don't have that.

I do the filings for all of my American clients on this UHT, so I've been actually on the ground with this. I can tell you from my experience that there are countless within the urban area that are affected by this. They have to do this, whereas if that cottage were half a mile or a block away, they wouldn't have to do this. That's where I think the inequity lies.

I don't have the numbers, but we could get those for you if you wanted us to, for sure.

Hopefully that answers your question.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: Yes, absolutely. I think the crux of the problem is probably going to be in the definition of buildings. There are secondary residences, and as Mr. Virani was saying, a condo in the downtown core that is a secondary residence could be considered a cottage, whereas the word "cottage" refers to a property in a rural community most of the time.

Are there any actual verification mechanisms for the famous 28 days you are talking about, or is it based solely on the owner's statement?

[English]

Mr. Richard Halinda: That's a very good question.

I've worked a lot with CRA over the past number of months to try to get answers to how they're going to interpret these exemptions, because the tax return is complicated and you have to check out boxes. I've talked to some very good people at CRA. Basically I'm told that the policies will be developed as we go along, which makes it difficult for an adviser to tell somebody what to say or not to say on these forms.

I'm sorry, but I lost my train of thought on your question.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: I was actually asking you whether there were adequate verification mechanisms for the occupancy statement in connection with the famous 28 days, or whether the owner's statement was enough.

[English]

Mr. Richard Halinda: No, there isn't a mechanism. I don't know whether they're going to check.... When people cross at the border, is Canada border security going to provide that data?

Basically, the return itself doesn't require any proof. It just asks, "Do you agree that you've been here 28 days?"

Every tax return is subject to audit. I don't know if the tax department is going to audit the one or two million of these it's going to get. I don't know. I'd have to defer that to the CRA to see how it's going to deal with that.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: I still assume that, if it is noted that the citizen in question has not crossed the border for a minimum of 28 days in the year, but has claimed to have occupied their property for 28 days, it could be concluded that fraud is involved.

[English]

Mr. Richard Halinda: I think you'd be able to follow up on that. Yes. I've told my people to make sure they tell the truth. If you're not here for 28 days, don't use it—period.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: Thank you.

Mr. Davidoff, I was reading a little bit about your background. You're an economist, I believe. Correct me if I'm wrong.

You said at one point that, to address the housing crisis, property taxes had to be raised in Vancouver, which you gave as an example in your presentation. I imagine that this city is not an isolated case. What needs to be monitored before your proposal is implemented? Should we consider the size of a city or its vacancy rate so that your recommendation concerning Vancouver could apply to other municipalities? What do we have to watch for as commonalities or differences?

• (1135)

Dr. Thomas Davidoff: Thank you for the question.

[English]

When thinking about property taxation, two issues come up in terms of where you want to have high property taxes. You don't want to have property-linked taxation. You don't want to have taxation where people can run away from the tax.

In markets where homes just won't get built if taxes are too high but there will be lots of building when taxes are low, that's a place where you should have low property taxes. Of course, in Vancouver and Toronto, we know there are gigantic lines to build homes. The city can't keep up with the permitting and zoning restricts building, so higher property taxes don't really have an adverse effect.

If you're in some rural area, maybe near Niagara but not the desirable location on the water, homes are going to.... Nobody is in a great rush to build homes. A tax might deter construction. Therefore, urban areas where it's hard to build and, of course, where affordability is a problem, that's where you want to focus higher property taxes, offset by lower income taxes.

As for doing it globally, I don't know how much these cottages cost. If you're looking at a few thousand bucks a year, tops, for the overseas residence, that doesn't seem heartbreaking to me.

The Vice-Chair (Mr. Kyle Seeback): We'll turn to our next questioner for six minutes, Mr. Cannings.

Mr. Richard Cannings (South Okanagan—West Kootenay, NDP): Thank you.

Thank you to both of the witnesses here today. I'm going to start with Mr. Davidoff, but first I want to say that I represent an area in the Okanagan Valley and the Kootenays in British Columbia. Like Niagara, we're on the border. We have many visitors every year. We really have a very large tourism component. We both make good wine. I'll say that to Tony at this time.

Where we differ, at least in my experience, is that we don't have this history of American residents moving into cottages in the Okanagan during the summer. When I was younger, many years ago, there were a lot of Washington residents who would come into the Okanagan for tourism. Most of the homes that are owned now on a seasonal basis in my area are, I would say, owned by people from Calgary or Vancouver. They're not cottages. These are very expensive homes.

I used to live in a little town called Naramata. In recent years, the school population in Naramata has gone from 250 kids to 60 kids, because most of the homes in downtown Naramata are not owned by residents. They are owned by people in Vancouver and Calgary, and they're put out to Airbnb.

With all that, I want to ask Mr. Davidoff about the British Columbia examples of the speculation tax. How has that been implemented? It's implemented in specific urban areas. It's not defined by any census thing. It's defined in a regulation that lists those areas.

Could you talk about that speculation tax? What has it accomplished, and how is it implemented?

Dr. Thomas Davidoff: The speculation and vacancy tax is essentially an empty homes tax with some other issues related to higher rates for people from overseas. If you earn overseas income predominantly, there's an additional tax, but it's largely an empty homes tax. It is, as you say, implemented in markets struggling with affordability. There was some discussion, of course, about places like the Okanagan, which are expensive for people trying to make a living, but tourism is also an important part of the economy. There's a tension in applying a tax on vacation homes, because you don't want to kill the vacation industry, but you also want to make sure there are affordable homes for locals.

The evidence, from the combination of empty homes and from the speculation and vacancy tax between Vancouver and the province, from CMHC is that something like 10,000 to 15,000 homes have reverted from vacation or temporary or empty use into the rental market. That's their belief. That's a help. For a large community, that's something like a year's worth of construction turned over to local occupancy. The other side of it, of course, is that there's a fair amount of revenue raised.

• (1140)

Mr. Richard Cannings: I didn't add the fact that the rental market throughout my riding is extraordinarily tight, and part of the problem is these relatively large numbers of homes that are owned by people from elsewhere and that are put out for Airbnb. It doesn't matter how big or how small the community is within my riding. This is a big issue.

I'll turn to Mr. Halinda now. I just want to get a sense of the Niagara situation.

What kinds of homes are these? Are these expensive homes? Are they put out on Airbnb outside that 28-day period when people aren't there? It's my experience that people who own vacation homes in my riding aren't there for 28 days. They might be there for three or four weeks... I guess four weeks is 28 days. My neighbour is from Alberta, and I only see him for a couple of weeks every summer.

Mr. Richard Halinda: I'd be happy to answer that question.

We have a different situation. First of all, we have a variety of homes from the very low bottom of a little.... I don't want to say "shack" but a very small place to a bigger place. There's no question. We have everything in between, but the ones that are owned by the American people are summer residences. They are summer residents. They actually put their toes in the sand. We've had Canadians buy along the lake, certainly since COVID, and a number of them are not interested in putting their feet in the sand. They're interested in money, and those places have been turned into Airbnbs. We've had a real problem with that in our area as we have a lot of communities across this country. The Town of Fort Erie put some by-laws in place to deal with it because of the unruliness that a lot of these Airbnbs have caused in these quiet, residential cottage areas.

There are very few of the Americans—and I'm not sure I even know one—who are in that Airbnb business, but I know the Canadians who are in there have bought these as second and third homes, not to live in but for income-producing purposes.

I don't know if that answers your question.

The Vice-Chair (Mr. Kyle Seeback): That's the end. That's exactly six minutes.

Mr. Richard Cannings: Thank you. I'm out of time.

The Vice-Chair (Mr. Kyle Seeback): We'll now turn to Mr. Carrie for five minutes.

Mr. Colin Carrie (Oshawa, CPC): Thank you, Mr. Chair.

I'd like to start with Mr. Halinda.

I'm from Oshawa, but my cousins were in St. Catharines. We used to go down all the time, and we were back and forth. I know in Niagara. It's a fairly big population for that area—I think it's around 400,000—but for the cottage area, maybe it's only 30,000. When the government looks at that census, they capture everybody.

Now what I really appreciate is that you're giving us some ideas on the fix. One of your fixes was on this urban-rural divide. How would the government classify those areas so they wouldn't be captured with that census? Do you have any idea?

Mr. Richard Halinda: In fact, I drafted that for the Deputy Prime Minister, so I will make sure you get that. It's very simple, and it gets around that issue right within the regulation that's already there.

Mr. Colin Carrie: My follow-up for you would be that the Department of Finance did say that, in the fall of 2021, they consulted stakeholders. Do you know if any of the people you represent got an opportunity to have any input on this, or did you personally? Did the government make an effort to actually get this out and to consult with stakeholders?

Mr. Richard Halinda: I don't know of anybody who was consulted. I know I wasn't—not that I have to be—but I'm saying I'm not aware of any of that consultation process.

Mr. Colin Carrie: You mentioned in your opening, I believe, that you were in touch with the minister. I think you said that was in February.

Did you raise this issue with anybody in the federal government before February? How long have you been in touch with the federal government on the issue?

Mr. Richard Halinda: My first discussion was back in March of last year.

Mr. Colin Carrie: It was in March. Okay.

Mr. Richard Halinda: I got to meet Mr. Baldinelli this summer. We had such a public outcry in our area from these cottage owners wanting to get information.

Of course, everyone was directed to the helpline. The helpline can be helpful for some things, but not many things. People are on the phone—including me—for two hours or more before we get to talk to anybody, and then we're talking to a low-level worker. In fairness to her or him, they don't even have the information to answer the question. A lot of those calls really went unanswered because no one could give an answer.

We have been working on trying to get answers. I have been constantly working with CRA in that regard.

• (1145)

Mr. Colin Carrie: I find it a little disturbing, because you mentioned that, in February 2023, you were in touch with the minister, but you have been working on this for over a year.

Have you gotten any written response? Did you say her office has not even gotten back to you yet?

Mr. Richard Halinda: I have not received any response.

Mr. Colin Carrie: Yes, that is concerning, because it seems like there is a regulatory fix here that we could be implementing that would really lower the stress levels for everybody. Maybe we can see if we can help in that regard.

One of the worries I have.... I have a cottage, and I have American neighbours. They're great neighbours. I worry, though. In Os-hawa, we have a lot of people who fly down to the States. I'm worried about reprisals and retaliation.

With your being in these conversations, have you heard of any thoughts that there could be action taken by Americans on Canadians, like a reciprocal type of thing?

Mr. Richard Halinda: Definitely. Again, it's not that they want it.

You're going to be hearing from Congressman Higgins this afternoon. I think he's on your agenda. I'm sure he's going to talk to you about that, because he has tabled that in Congress. He has tabled that at numerous meetings in New York state, where he's a congressman, particularly in the Buffalo area. He's saying, "Look, we don't want to be retaliatory, but we want to be dealt with fairly", and this act has not been....

The problem is that the brush that was used to paint this act was too broad, so we have lots of collateral damage that I don't think was ever intended. By regulation, we can get it fixed, and we need to get it fixed. It's the right thing to do.

Mr. Colin Carrie: I agree with you. I don't think there is any intention, but we don't want to have any bad relations with our best neighbours. That's for sure.

The Vice-Chair (Mr. Kyle Seeback): You have 30 seconds, Mr. Carrie.

Mr. Colin Carrie: Okay. I'll ask a quick question.

Mr. Davidoff, you mentioned the difference between taxing for earned income versus the property tax value.

One of the things I know in the GTA is that sometimes we have seniors who are very elderly, so they have owned this house for a long time, but the value now has skyrocketed. I also know of people from other countries whose cottage may be a condo in Toronto. On the weekends, instead of going to a rural area—they live in a rural area and they like the arts and entertainment of Toronto—they come by and they have a little condo there.

With your recommendations, would you have a...?

I'm way over.

The Vice-Chair (Mr. Kyle Seeback): You're now 20 seconds over.

Mr. Colin Carrie: Anyway, perhaps that's something to ponder, Mr. Davidoff.

The Vice-Chair (Mr. Kyle Seeback): We're going to have to move on to Mr. Sheehan.

Mr. Terry Sheehan (Sault Ste. Marie, Lib.): Thank you very much, Chair.

Thank you to the presenters.

I'm the MP for Sault Ste. Marie, a border town. Before this, I used to be on city council—for four terms. Back in the day, when non-Canadians were buying property in the area, the concern wasn't about housing availability. Quite frankly, it was about MPAC, the Municipal Property Assessment Corporation, which, as I'm sure you're aware, is the provincial arm that assesses properties.

Back in the day, they used to have assessors who would go out, take a look at your property and figure it out. They changed all of that. They cut a whole bunch of staff and went down to a model where they would take a look at how different properties would sell, what the value was and then create a circumference. It was driving up taxes because the local council would then set their mill rate against the assessed value of those properties going up.

Fast-forward to now. The housing market is super hot. My son looked at purchasing a bungalow about a year and a half ago and was outbid overnight by \$85,000. It's hot all over Canada. It's not just happening in Sault Ste. Marie. I think what we're looking at are border communities, but really Canada is a border community to the United States. Ninety per cent of our population lives within 100 miles of the U.S. border.

I'm going to start with my first question to Thomas. I wanted to talk about the different exemptions that exist. If you want to talk about the exemptions and the tax that is there now, the intention is to make housing more affordable for Canadians. Is that happening? I'll start with Thomas.

It's a two-part question. In the second part, I really want you to drill down on what exemptions there are. We've been talking about rural versus urban, but what else is there?

• (1150)

Dr. Thomas Davidoff: I can speak to exemptions if you provide them to me. I just do not have the thorough administrative knowledge of this. I was asked to testify Friday. I can't itemize them for you. I'm happy to respond to itemization by your committee.

What I can talk about is the impact on affordability of, one, our existing tax system and, two, what we've seen in British Columbia.

There is no question that the speculation and vacancy taxes have improved affordability relative to doing nothing. They've raised revenue for the province, which means a lower tax burden or more tax benefits for provincial residents, and they have added homes to the housing stock. There may have been some adverse effects on tourism, but I haven't seen that documented. That's the impact on affordability.

In terms of exemptions, I would just repeat what I said. There is a potential trade-off between tourism and housing affordability, and the question is where you draw the line. You have to draw the line somewhere, unless you have partial exemptions so that the rate declines as you get more and more rural.

You're probably going to draw lines, and those lines are informed, but they will be arbitrary. Whenever you have a line, there is going to be horizontal inequality between people on one side of the line in a rural area that's not subject to the tax or that gets the 28-day exemption versus someone who's declared urban, which is the natural point where you don't want temporary housing, so they don't get the 28-day exemption.

Mr. Terry Sheehan: Thanks for that.

I guess my question would be to Richard.

You've talked about your clients. On average, what is the length of stay in Canada for your clients? How many American clients do you have, and what would you say the lengths of their stays are?

Mr. Richard Halinda: You're asking for confidential information.

I'm only kidding.

How many clients do I have? I have hundreds. What is their length of stay? Many are from May 24 to Labour Day. They're here all summer. They come with their families. They come with their kids. They come with their grandparents. I can tell you that I have hundreds of U.S. clients who have never spent a fourth of July in the United States, except for the two years during COVID when they weren't allowed to cross this border. That's how important and how intertwined these people are in our community. Even on their holiday, they're here in Canada. They're not back in the U.S.

They spend a lot of time here. Again, they bought these places not as passive income or as some place to park their money. They came to use them, raise their kids here and raise their grandkids here. They are such an integral part of our community. I just can't stress that enough, and that's why this act.... Again, you've brushed too broadly, but this can be fixed. We need to fix this.

The Vice-Chair (Mr. Kyle Seeback): I have to interrupt. We're now over time.

We'll turn to Mr. Savard-Tremblay for two and a half minutes.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Thank you, Mr. Chair.

Mr. Halinda, I think one of the problems with this type of measure is the lack of consultation and transparency in political decision-making. You said that you had discussions with the government about this.

Budget 2021 announced the implementation of a potential property tax of this type, and the consultations took over four months. Were you involved in that?

• (1155)

[*English*]

Mr. Richard Halinda: I'm not aware of any consultations. I've not participated in any yet. The only ones I've had were when I've called somebody else.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: If I understand correctly, you were not involved in the consultations that took place from August 6 to December 2, 2021. You had absolutely no knowledge of those consultations. You were not asked or consulted, despite your expertise in this area. Is that correct?

[*English*]

Mr. Richard Halinda: No, I wasn't. No.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Very good, thank you.

It is terrible, but I have only one minute left in what is probably my last turn. Would you like to add anything?

[English]

Mr. Richard Halinda: I'd be more than happy to work with this committee. I've spent a lot of time on this. I've talked to many people at CRA, right to the top. I do tax work. I think I know what the government's trying to do. Again, there's a noble cause to this act, and I support it. It's just that the implementation has created this collateral damage that doesn't need to happen. We need to do something about that. I'm happy to work with all of you on this.

I'm happy that you're taking the time to look into this matter. I really am, because I was getting frustrated. Was anybody going to listen? I applaud all of you for taking this on, and I'll help with whatever I can.

The Vice-Chair (Mr. Kyle Seeback): As Dr. Frasier Crane would say, "I'm listening."

We'll now go to Mr. Cannings for two and a half minutes.

Mr. Richard Cannings: Thank you.

I'm going to turn to Mr. Davidoff. Again, I want to bring up the B.C. speculation and vacancy tax, and whether that model of applying it in certain urban areas would work in this underused housing tax situation across Canada.

How has that worked in British Columbia? I know that next year they are adding some areas to it—in southern Vancouver Island, for instance. It seems to be adaptive management.

How would that fit with this federal tax? Could that be a model we could consider?

Dr. Thomas Davidoff: I believe it could be applied here, of course. As I mentioned, there are a lot of ways. The central issue is that, generally speaking in Canada, particularly in the expensive markets—and you could demarcate expensive markets—property is undertaxed, and working for a living and buying and selling goods and services is overtaxed. That's a serious problem and it contributes, of course, to housing affordability.

In British Columbia, you're mapped in or you're mapped out. It's not partial. You're either subject to the speculation and vacancy tax or you're not. As you mentioned, Kelowna was a controversial case. I have not heard of significant problems with the tourism industry. You would know better than I, but I'm not aware of studies that show the SVT in B.C. has hammered badly the vacation industry there.

You have, of course, a trade-off, because, in many places, there's a local economy that's hindered, as you say, by the inability of locals to find work. Even in Salt Spring Island, where I visited with my wife, it's extremely hard for locals to find work, even though it's entirely a vacation community.

I'm just not aware of places that have been mapped in where there have been problems. Could there have been places that were mapped in and all of a sudden tourism died? You know, you'd have to be in such a place where people are just going to leave. One important point is that, yes, it's sad for the Americans, but what's go-

ing to happen? The houses won't become vacant. They might fall in value, but you probably won't have any vacancy.

The real economic concern would be vacancy and no more tourism. You'd have to be in a place that's marginally tourist acceptable, where there are many Americans. My guess is that there's a very small set of places where that would be the concern.

The Vice-Chair (Mr. Kyle Seeback): That's time.

We have the congressman waiting, so to try to get us on time, I'm going to have these rounds reduced down to three minutes.

We'll go to Ms. Gladu for three minutes, and then we'll go to Ms. Dhillon for three minutes.

Ms. Marilyn Gladu (Sarnia—Lambton, CPC): Thank you, Chair.

Thank you to the witnesses for being here today.

My area is Sarnia—Lambton. It's on the border, and there are beautiful communities where people from the U.S. have bought cottages in Brights Grove, Port Lambton, Sombra and Ipperwash.

I think, although the intention of this regulation was noble—we're trying to solve an affordable housing crisis that's come on since 2015—the way it was implemented is a problem, so I would say two things. The first solution I can see is that there should be a grandfathering. These people who have owned properties for years and years that have passed down through generations clearly should be grandfathered. Secondly, anyone who is considered to be exempt should not even have to file, because it's \$800 to file and it's such an aggravation.

Mr. Halinda, would you agree with that?

• (1200)

Mr. Richard Halinda: I wholeheartedly agree with that. That was one of the suggestions I made in some of the discussions I've had.

This housing crisis is a fairly new thing, but these people have owned these places for decades. They didn't cause this housing problem. It's not them, so why are we attacking them?

Ms. Marilyn Gladu: Absolutely.

Mr. Davidoff, would you also agree with that?

Dr. Thomas Davidoff: Let me take exception to one category that you mentioned, which is multi-generational.

We have the severe problem that there are people who can't afford a place to live. Now, on vacation communities, of course, you can raise issues, but if I inherited a lovely place on a lake from my father, who in turn, inherited it from his grandfather, I don't know why that makes me a particularly sympathetic person. Usually, when we think about who needs the government's help, we focus on people at the bottom of the income distribution who have been unfortunate.

I hate to bring this up, but multi-generational, for me, does not trigger sympathy. It triggers, "Okay, you have to pay \$1,000 to \$1,500 a year in tax for the house you inherited for nothing." It's not the end of the world.

Ms. Marilyn Gladu: Yes, and you have mentioned that you think increasing taxation on those lucky individuals who own high-value homes might be an approach that would free up revenue to create affordable housing.

Do you have other solutions that you think we ought to be putting in place to create affordable housing in places like Vancouver?

Dr. Thomas Davidoff: Of course, yes. The tax problem is one problem that I mentioned. The other major issue, of course, is regulation.

Something like 70% or 80% of residential land in Canada is zoned for single-family homes. Anywhere near Toronto, probably increasingly Ottawa, Montreal, obviously Vancouver, Victoria—many of our urban centres—a single-family home is just a luxury that's not affordable to 90% to 95% of the income distribution. To buy a \$2-million house, you need to be earning well into the hundreds of thousands of dollars per year, and that's just not most of the income distribution.

I don't know why the federal government puts up with single-family zoning. You could defund or restrict federal funding to any municipalities or provinces that indulge in it. The market doesn't want it. Of course, you should be allowed to build a single-family home, but why you would forbid multi-family is crazy. That is probably the number one issue.

The Vice-Chair (Mr. Kyle Seeback): That's our time.

We'll now turn to Ms. Dhillon for three minutes.

Ms. Anju Dhillon (Dorval—Lachine—LaSalle, Lib.): Thank you, Mr. Chair.

I'm going to start with Mr. Davidoff.

There are a whole host of exemptions to the underused housing tax. Can you please tell us what impact this tax has on Canadian individuals and families who are in the market to buy a house in Canada at a reasonable price?

Thank you.

Dr. Thomas Davidoff: Right. There will be two impacts in terms of affordability—neither of them huge.

Properties owned and lightly used by people from overseas have largely been addressed in Toronto and particularly Vancouver, and, of course, foreign buyers are now banned. We're not talking about a solution to affordability. However, there are two important effects.

Number one is revenue. When the government taxes and the Americans or other nationalities pay these taxes, that's free money to Canada. Of course, that's unless there's reciprocity in taxes, which you've talked about, with the Government of the U.S. punitively retaliating. As I mentioned, and I think this is important, that retaliation used to exist in the sense that Canadians weren't eligible for property tax deductions from their income taxes. I do think it would be a bit silly for the U.S. to retaliate on those grounds.

The second point, of course, is properties that are restored to occupancy by permanent residents of the home when they're vacated by people who own vacation homes. Vacation homes are, of course, desirable in some districts where communities are reliant on vacationers, but in other communities we want, ideally, homes to be occupied by people who form part of the tax base. That's an efficiency issue as well as an equity one.

● (1205)

Ms. Anju Dhillon: For the second part of my question, we spoke about seasonal properties and locations as part of the exemptions. How common do you think it would be for a property owner to miss all of these exemptions?

Dr. Thomas Davidoff: I have not done an estimate of how many properties would be subject to the tax. I just don't have that. I don't know if that would be easily done, but it's a good question.

Ms. Anju Dhillon: Do you know where in the U.S. such vacant home taxes do exist?

Dr. Thomas Davidoff: Just off the top of my head, my understanding is that Florida has preferential rates, and maybe Hawaii. There may be preferential rates for the U.S.

Again, I'll re-emphasize that for many years Americans with high incomes were able to deduct state and local income and property taxes, whereas overseas, non-U.S. taxpayers were not. That could be a significant preference. In Oakland, if I'm not mistaken, I was paying \$10,000 a year on property tax. Between California and the U.S. pretty close to 50% of that was deductible. I was getting a \$5,000 advantage that a Canadian trying to buy would not have received.

The Vice-Chair (Mr. Kyle Seeback): That's all of the time we have today.

I want to thank both of our witnesses today for some very interesting testimony. I would invite both of you to submit briefs to the committee so that we can consider them when we do a draft report on this issue. You both raised interesting and significant issues.

We are going to briefly suspend to allow for our next witness: Congressman Higgins from New York's 26th congressional district.

We'll be back in a few minutes.

• (1205) _____ (Pause) _____

• (1205)

The Vice-Chair (Mr. Kyle Seeback): We'll call the meeting back to order.

I just want to welcome Congressman Higgins. It's nice to see you again. I was in Washington, D.C., a week or two ago. It was great to chat about issues and the friendship between Canada and the United States.

Congressman Higgins serves on the House Committee on Ways and Means, where he's also a member of the subcommittees on health, trade and social security. In addition, he currently serves as a member of the House committee on the budget. He is a co-chair of the northern border caucus, from which he advocates for federal policies that recognize the unique needs of northern border communities.

Congressman, we normally give five minutes for an opening statement, but I'm more than happy to give you the latitude to make the statement you'd like to make. Please go ahead.

• (1210)

Mr. Brian Higgins (Member of Congress, NY-26, House of Representatives of the United States of America): Thank you very much.

I appreciate very much the House of Commons Standing Committee on International Trade calling this meeting as quickly as you have in the aftermath of the meeting we held in my office in Washington, D.C.

I want you to know that I was at a groundbreaking today for the new Buffalo Bills National Football League franchise stadium. It's a \$1.5-billion project, but the owner of the Buffalo Bills and the National Football League commissioner thanked the people of Canada for providing the significant ticket-buying fan base for our professional franchise.

The point he was making was that Buffalo is a relatively small market, and it's very difficult to sustain a national football league franchise. However, our friends and fellow Bills fans in Canada, in part, made possible this day and the building of a new stadium, which will keep the Buffalo Bills in Buffalo for 30 years, so we want to thank you for your friendship and for your most recent contributions to the viability of our economy in Buffalo and western New York.

I want to especially thank Mr. Tony Baldinelli for offering the motion to convene this meeting and study. As a representative of Niagara Falls, I appreciate Mr. Baldinelli's continued friendship and partnership.

As you know, there's a unique relationship between the United States and Canada. I'll just quickly tell you my story, because it's not unique. It's a story of Buffalo and western New York as relates to southern Ontario, and more specifically the Niagara region—places like Bay Beach, Crystal Beach, Thunder Bay, Sherkston and all of those areas that historically we call “cottage communities”.

I grew up and spent my summers along the Canadian shores of Lake Erie. I played ice hockey up in Fort Erie, Ontario, at a place called “The Barn”, which is no longer there. It was very easy to traverse the border, and that ease of travel accrued, economically and in terms of quality of life, to the benefit of people within the Niagara region both in southern Ontario and in western New York.

As you know, in 2021 there was a budget proposal to create a tax on vacant and underutilized properties owned by foreigners. My understanding was that it was put in place to address a problem specific to Toronto and Vancouver, where international interests were buying large swaths of property and then keeping them vacant for long periods of time, perhaps speculating in terms of real estate investment. The problem, as it related to Toronto and Vancouver and the country as a whole, was that it was taking supply of housing off the market for a period of time, and that would create a demand issue such that property costs were rising for Canadian citizens.

The problem is that it also included the Niagara region. As I said, a cottage is usually a small home in close proximity to a beach or a park, and it is used seasonally. It's not underutilized. It's used fully for the seasonal purpose for which those homes were built.

We have heard from more than 400 constituents who have owned property in Canada in the Niagara region, in many cases for 30 to 40 years. It's multi-generational.

I appealed to the members who came to visit me in my Washington office, and I appreciate very much this follow-up. I would ask you to consider possibly providing a carve-out for a piece of property that is considered to be a cottage near a lake or a park, which is seasonal in nature, because, as I said, these properties are fully utilized during that season. Americans will typically go to Canada on Memorial Day, which is our unofficial start of summer, and they will stay in their Canadian cottages through to Labour Day. Now they're being taxed at 1% because of this vacant and underutilized housing tax.

• (1215)

That's the purpose of appearing before you today.

Again, I appreciate very much the long, historical ties economically and in terms of life quality between the United States and Canada. I remember fondly that on September 11, 2001, when the American airspace was shut down, 38 passenger planes were forced out of the air and landed in a small town called Gander, Newfoundland, and stayed there for weeks and, in many cases, months. They were treated as friends and family, and I think that is typical of the relationship that has occurred between the United States and Canada.

With that, I would be glad to take questions to provide whatever additional information you may need relative to our efforts to ask for a reconsideration of the vacant and underutilized property tax.

The Vice-Chair (Mr. Kyle Seeback): Thank you very much, Congressman.

We'll turn to our rounds of questions.

The first round will be Mr. Baldinelli for six minutes.

Mr. Tony Baldinelli: Thank you, Representative Higgins, for joining us this afternoon. Thank you for all you do to promote the binational region and the strong ties that bind our countries and the residents who live in our communities. As I said earlier, it's not an international border for those who live in the area. It's just a river that divides friends and families, in fact. Thank you for everything you've done.

We had the pleasure of meeting several months ago at your Buffalo office as well as recently in Washington to discuss several binational issues and, of course, the underused housing tax issue came up. For a little information and perhaps some history for the committee, when were you first apprised of it? When were you beginning to get contacts? How many contacts have you had?

What have been some of your efforts working with your American colleagues to notify Canada of the concerns you have?

Mr. Brian Higgins: Thank you, Member of Parliament Baldinelli.

People started to get contacted, as you know, when the original bill was proposed. Again, it was explicit in what it was attempting to mitigate or to fix, which was, again, international interests purchasing large swaths of property in big cities and driving up the costs of those properties. The evolution of the bill was moving. It began to define what other properties would be included there, and it kept getting closer and closer to southern Ontario and the Niagara region.

It was about the midpoint of last year, and we made efforts through the ambassadors' offices, both the U.S. Ambassador to Canada and the Ambassador of Canada to the United States, to note that this was a concern and that we needed to watch it. We began to make the distinction between a seasonal cottage and large apartment buildings being purchased for different purposes.

Yes, it was the middle of last year.

Mr. Tony Baldinelli: Thank you.

I found it interesting, when I was reading up on some of the efforts you've done, that you undertook an online survey with the residents who would contact your office and some of the notions about the long-standing relationships these residents have had. I believe it was over 160 people who responded, and nearly 30% of responders have owned their Canadian property for over 50 years, with close to 40% owning their Canadian home between 20 and 49 years.

Going back to that relationship that exists, people come and they don't come for just a finite vacation period, because we're so close. People can stay in Crystal Beach, for example, and then go to work in the morning in Buffalo and in western New York, so they have those long-standing ties.

I talked earlier about Cherry Hill golf course, which was established in 1922 by nine Americans. I talked about the one Roman Catholic church, St. George's, that celebrated its 100th anniversary and, in the summertime, the congregation swells because of our American visitors.

People don't understand, when the government tries to take an overarching policy with a broad brush, that sometimes they miss the intricacies and the carve-outs that need to be done. I wonder if you could comment on that.

• (1220)

Mr. Brian Higgins: Tony, I think you nailed it better than I could have.

I'm familiar with St. George's church because I used to go to church there when I spent my summers in Canada at Bay Beach and Crystal Beach. Again, as you point out, this is a way of life. I can remember as a very young kid through to adulthood spending summers at Bay and Crystal Beach. We always were and are greeted as friends and neighbours. When people are living in Canada on a seasonal basis, we feel as though they are net contributors to the economy, and we welcome our Canadian friends into western New York in the same way.

There is a ski village 60 miles south of Buffalo called Ellicottville, and a lot of Canadian citizens own condominiums there. The way you know that is that during December, January, February and March, when you go into the town of Ellicottville, half the town has Ontario licence plates.

I think that is the great benefit, for both Canadians and Americans, of living in a border community. To promote that I think is in the best interests of both countries. There are 120 land ports of entry. The second-largest crossing between the United States and Canada is the Peace Bridge, and that connects Buffalo to Fort Erie in southern Ontario and through the whole province of Ontario. There are a lot of common interests, a lot of common history and a lot of common culture, and we want to preserve that and strengthen it moving forward.

I was talking to some of my folks today about how we're surrounded by friends and fish, not by hostility and not by instability. We're trading partners. We're friends. Our economies are deeply integrated. I think what we learned during the pandemic for 36 months... My federal government did not handle that issue well, and the United States and Canada, the federal governments, should have been working more closely and coordinating the communication strategies and policies as they related to COVID. I just think that we should learn from that and bring our ties closer together.

The Vice-Chair (Mr. Kyle Seeback): That's great. That's the time.

Now I'll turn to Mr. Virani for six minutes.

Mr. Arif Virani: Representative Higgins, it's good to see you so shortly after we just saw you in Washington. Thank you for your hospitality. I was sitting on one of the couches in your office very recently. I recollect you telling us a lot about Canada-U.S. relations. I don't recollect you describing it as "friends and fish"—I would have added "snow and sports"—but that is a pretty apt description.

Representative Higgins, again, let me echo what Mr. Baldinelli said in terms of your own leadership with Canada-U.S. relations, your own hospitality to us and your trying to constantly advance what is an important relationship and has been historically important in ensuring we deal with any obstacles or challenges but also in taking it to the next level.

What I'd say is that we know there is obviously the nation-to-nation interest. There's Canada and your state. There's even Canada and your district. We know about some of those extensive ties. I was actually digging up again the extensive connections we have with the 26th district, which you represent and where 6,200 people are employed at 163 Canadian businesses. Your district exports \$1.1 billion into our country and receives \$484 million from our country. That's quite staggering.

What we're trying to do, I guess, Representative Higgins, is just figure out how to calibrate this as best as possible. I just wanted to ask you.... I am on the trade committee, obviously, and I work with Minister Ng as her parliamentary secretary. We chatted briefly in your office. We're just trying to get this right for the benefit of addressing what you identified as a fair rationale but one that doesn't disproportionately impact the important residents that you represent or people who are coming over and shopping and purchasing in places like Tony's riding, etc.

I understand right now, Representative Higgins, that if the location, let's say.... We've talked a lot about Crystal Beach. If the location at Crystal Beach is not a year-round location, that property that's owned is not subject to this tax. That is one of my understandings. I also understand that, if the location of Crystal Beach hypothetically is used for a resident of western New York who is actually studying at Brock University in St. Catharines and is living there, it's also not subject to the tax.

Do I have that understanding correct, Representative Higgins?

• (1225)

Mr. Brian Higgins: My understanding is that all of the cottage communities that have cottages or homes owned by Americans are subject to this tax.

Mr. Arif Virani: What we have with us here is some information that talks about some of the exemptions. We can make sure that we get it to you, but there are some exemptions that are based on who's using it, when they're using it, the type of occupant, etc. A place that's not being used year-round—it may not be winterized, for example—is not subject to the tax as it's currently contemplated. Secondly, a place that might not necessarily be used by the couple who owns it, but by their child who's studying in Canada, would also not be subject to it.

We had some discussion, just in the hour before you came on, Representative Higgins, about how you define this urban-rural divide. You put your finger on it when you said there are acute problems in places like Toronto and Vancouver. I'd say to you that it actually extends a bit beyond Toronto and Vancouver. It applies to many large urban centres like Calgary, Montreal and Halifax, etc.

It seems like Crystal Beach and other areas are caught up in what we'd define as "urban". Is that the tension that you're identifying? Is it how we define what is urban versus what is rural?

We feel a strong necessity to target urban properties that are driving up the prices for rentals and for purchasing in urban centres. Can you give me your feedback on this urban-rural definition as it's contained in the regulation so far?

Mr. Brian Higgins: Based on my American experience—my western New York experience—I wouldn't characterize places like Bay Beach and Crystal Beach, Thunder Bay or Sherston as rural areas. I think what I have been conditioned to view them as is cottage communities. They're interconnected. They're typically in close proximity to the water. These homes were built to be seasonal homes.

Cottages are, by their very nature, a vacation destination used on a seasonal basis. I wouldn't necessarily, from my own experience, make the distinction between Toronto and, let's say, Crystal Beach, Ontario, as urban versus rural.

My view would be that it's very different. Perhaps it's its own categorization of a cottage community, because historically, that's what Americans have viewed places like Crystal Beach and Bay Beach, etc., to be.

Mr. Arif Virani: Could I ask you one further question, Representative Higgins?

Right now, as the regulation stands, there are certain exemptions, but the exemptions don't apply, meaning that you are subject to the tax if you own multiple properties. I presume you don't have any issue with people who have multiple properties being subject to this tax. You're talking more about that mom and pop who have one property in Canada in one of these more remote locations, which they are actually using.

Is that fair? Do I have your position accurate?

Mr. Brian Higgins: Who we have heard from are citizens of the United States who have, for generations, been going to Canada. The issue of multiple ownership doesn't come up. We're primarily advocating for people who have a new tax being imposed because of this vacant and underutilized....

It's not for an investor who would be buying a lot of properties. It's for the individuals who own a cottage and use the cottage themselves, and for those who have had cottages in their families and turned them over to future generations. There's a great tradition there.

It's primarily for the owner-occupied cottage owners in those areas we spoke of.

The Vice-Chair (Mr. Kyle Seeback): Thank you.

We'll now move on to Mr. Savard-Tremblay.

Representative Higgins, to be clear, the translation button on your Zoom is down there. I assume Monsieur Tremblay will be speaking *en français*.

• (1230)

[Translation]

Mr. Simon-Pierre Savard-Tremblay: Yes, Mr. Chair.

[English]

The Vice-Chair (Mr. Kyle Seeback): On the globe on Zoom, it will say “translation”.

Mr. Brian Higgins: I have it.

Go ahead, sir.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: I am pleased to see you again, Congressman. We see each other often at your office in Washington. We have seen each other twice in the last month, as I've been on two missions in Washington, one week apart. I think I'm about to buy a cottage in the Washington area because I go there often and it would make my travels easier.

We know about your commitment to Canada-U.S. relations. You sent a letter to the U.S. trade representative in which you mentioned that the tax did not comply with the rules of the Canada-United States-Mexico Agreement. We know that this agreement is probably the main node that unites the two countries, the two states.

Could you tell us more about that? The Bloc Québécois had looked into the matter and, even though we agreed in principle, we were a bit annoyed by the encroachment on an area of provincial jurisdiction. This is another area, but it would seem that it would also be a problem in terms of international trade law. Is that right?

[English]

Mr. Brian Higgins: Yes, we're talking about the Canada-United States-Mexico Free Trade Agreement. There is a provision relative to non-discrimination against member countries as it relates to taxation. This is what I have cited in communicating with the United States trade representative, Katherine Tai, through a letter, but also within the context of the House Committee on Ways and Means, on which I serve, including the trade subcommittee.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: Of course, that is your approach. Are you certain that, legally speaking, the tax violates the non-discrimination clause? Is there no doubt about that?

[English]

Mr. Brian Higgins: We're asking that the trade representative initiate a consultation with our Canadian counterparts to determine whether or not this would be in violation of that provision in the trade agreement.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: That's perfect, thank you.

In other words, you are alerting us about this so that we can shed light on it and delve deeply into the issue before we get to a dispute or a disagreement. To your knowledge, were formal discussions held before you met with us? To your knowledge, did the two governments talk to each other before we started our study?

[English]

Mr. Brian Higgins: I don't believe they have formally consulted as of yet. That doesn't mean they're not going to. We had also communicated with the United States Secretary of State. Like anything, there's a dispute regardless of how serious or minor the issue is between two countries, particularly two countries of this nature. You want to resolve these things diplomatically. You have a Canadian federal government that is structured in a way very similar to ours. Like most problems between governments in an international context, they can be resolved by just communicating clearly as to what the issue is and what a mutually beneficial outcome would be.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: You say that you are looking at the possibility of implementing a policy for Canadian citizens who own real estate in the United States. Is it fair to say that, in response, you recommended adopting a policy similar, if not identical, to the one in effect in Canada?

[English]

Mr. Brian Higgins: No. I made reference to what I characterized as a race to the bottom. That doesn't benefit Canadian citizens, and it doesn't benefit American citizens.

That's why I put an emphasis on attempting to resolve this issue diplomatically. We don't want to do that. I have brought that issue up to highlight that there are mutual benefits to Canadian citizens owning property in the United States. There is a beautiful natural environment, ski country, in Ellicottville, New York. There is the beautiful natural environment during the summer months at Bay Beach and Crystal Beach in Ontario, with close proximity to beaches and lakes. That was the purpose of why I brought that up. It was to highlight the importance of trying to resolve these issues in a diplomatic way.

• (1235)

[Translation]

Mr. Simon-Pierre Savard-Tremblay: Okay, thank you. I only have 30 seconds left, but I would like to ask you one last question: How many states do you and your colleagues think are affected by the problem we are discussing today?

[English]

Mr. Brian Higgins: Not enough. We have sent bipartisan letters from the House from both Republicans and Democrats who represent border communities. There have been a handful, 12 to 20 on any given communication just to highlight that. As I mentioned, the Peace Bridge that connects Buffalo with southern Ontario is the second-largest border crossing, so the border communities of Buffalo and Niagara Falls are disproportionately affected by this.

Others are, in fact, affected by it and have signed on. Given the size of the communities they represent along the border, I guess that would influence their level of involvement.

The Vice-Chair (Mr. Kyle Seeback): Thank you very much.

We're now going to move on to Mr. Cannings for six minutes.

Mr. Richard Cannings: Thank you, Representative Higgins, for being with us today.

I'll just continue with that line of questioning because I represent a district, South Okanagan—West Kootenay, in southern British Columbia along the border. It's very similar in many ways to Niagara except there's no big urban centre directly across the border. We're probably four or five hours away from Seattle.

We have relatively small amounts of cross-border traffic coming from Washington for tourism. I think there was more 50 years ago in proportionate terms, but right now, I think we get more Australians visiting the Okanagan area than we get Americans coming as tourists. Certainly, I have never heard of an American actually owning a holiday home in my riding except for one founder of a big tech company based in Seattle who I will not name and who has a wonderful home in my riding. However, it's certainly not a cottage.

I guess my question on all this is this: How widespread...? It sounds like this is sort of a "north shore of Lake Erie" situation. Monsieur Savard-Tremblay just asked you how many of your colleagues have experienced this or faced this. We have a vacancy tax in British Columbia, and it's set in certain areas. We take areas that have real problems with housing costs and housing availability, and we put boundaries around those, so certain municipalities face this tax and others do not. I'm just wondering if that kind of carve-out... It's not just urban-rural. It's certain areas.

I'm just wondering if that kind of approach might fix this if we find that it is really concentrated in your area. You seem to be at the pointed end of the stick in this.

Mr. Brian Higgins: I would say that a cottage is used fully on a seasonal basis, and Canadians enjoy coming to Ellicottville, New York, on a seasonal basis. I think that is a mutual benefit accruing to both countries. All communities along the northern border between Canada and the United States, which is 5,500 miles long, as you know, and has 120 land ports of entry.... There are going to be unique characteristics, and I think the unique characteristic of the situation that I'm concerned with, again, is mutually beneficial to the United States and Canada.

When I say that I spent my summers on the Canadian shores of Lake Erie, that's consistently virtually every summer from being a kid through to being an adult. My situation is not unique. That's a thing in Buffalo and western New York.

Our ability to attract low-cost air carriers to the Buffalo Niagara International Airport is owing in large part to the fact that 30% of the people using the Buffalo Niagara International Airport are Canadians. Canadians spend \$15 million in health care in my community. Our retail economy is profoundly influenced, as well as higher education and cultural organizations. It's a quality of life that I think both Canadians and Americans share, given the fact that these cottage communities were built over many years and the ownership is multi-generational.

• (1240)

Mr. Richard Cannings: Okay, I have about a minute left, and I'll just continue on with that.

I think one of the differences, again, between the situation in my district and the one in yours is that, in my district, the trend is going the opposite way. We have hundreds and hundreds of homes that had families living in them and kids going to school in my riding that are now owned by people who don't live there. They come there in the summer. It hollows out the community.

These are not Americans, I would say. These are people from Vancouver and Calgary, etc. There are a few Americans, as I said. However, this is the situation that we're facing in my riding. As I say, we have a tax in British Columbia that partially address this.

It seems very different from your situation, which involves historical, generational cottages. The situation that we're facing in my riding is homes—houses—that have turned from family-owned residential houses to seasonal houses.

The Vice-Chair (Mr. Kyle Seeback): Unfortunately we're out of time, Mr. Cannings.

We're now going to move to the next round.

We have Mr. Carrie for five minutes.

Mr. Colin Carrie: Thank you very much, Mr. Chair.

Representative Higgins, first of all, I wanted to thank you for all the work that you've done over the years on the northern border caucus and all your advocacy during COVID-19. I do understand, though, that there is significant international controversy about whether you're a better hockey player than Tony Baldinelli. I think some things cannot be resolved diplomatically. We may have to resolve that on the rink.

I do know that you, back in May 2022, were mentioned in an article about this issue in Inside U.S. Trade, so you were on top of it pretty much right away for your constituents. You said there were over 400 of them.

My understanding is that on May 5, 2022, USTR did discuss the UHT with Canada's Minister of International Trade, Export Promotion, Small Business and Economic Development. Do you know the results of that conversation? Have you heard anything at your end? That was over a year ago.

Mr. Brian Higgins: There's nothing conclusive about that. I characterize that as the initiation of a discussion that is open-ended and continues.

As you know, sometimes these issues require several meetings, several engagements, toward the goal of developing, first of all, an appreciation for the problem, and second, a solution to it that would not hurt our Canadian friends but would encourage these cottage communities to continue to thrive with American ownership.

Mr. Colin Carrie: Do you know if there's any information from that meeting available for public use? I was wondering if you know if there's any future discussions planned, if you're aware of them or if, perhaps, you may have been included in them.

Mr. Baldinelli, have you heard of anything?

Mr. Brian Higgins: From my part, I can certainly check to see if there's any follow-up, and if there are any communications that resulted from those meetings.

Part of my job—and my Canadian counterparts, as members of Parliament, as you know—is much like journalism. It's reaching frequency.

Oftentimes, it's very difficult to change policy that's currently in place, so you have to find ways to bring those issues to light. There are many ways of doing that. I tried to do it within the context of the legislative branch and my work as a member of the House ways and means committee, but also in my interactions among the trade representative, the Secretary of State and the respective ambassador.

I would characterize this as an ongoing discussion. When the tax was put in place, there was an interpretation. Did the tax reflect the Parliament's intent? Has that evolved? That is when it became more concerning for me and my constituents, who are lots of those cottage owners in Canada.

• (1245)

Mr. Colin Carrie: In fall 2021, the Department of Finance did say it consulted with stakeholders.

I was just wondering, of the people you represent, if you are aware of anybody who was consulted. If they were, could you give us a number of how many?

We had a previous witness who said he was unaware of these consultations. I was just wondering if, before this was put into place, you were aware of any consultations.

Mr. Brian Higgins: No, I'm not. I guess you wouldn't expect that, because you're imposing or creating a new policy as it relates to taxation. The Canadian government's primary concern is going to be Canadian citizens, as would be the case when the United States takes actions. This situation is unique, because it affects a northern border community that I represent.

I don't know that there was any consultation on the part of the Canadian federal government with American counterparts.

Mr. Colin Carrie: My colleague, Ms. Gladu, has a quick question for you.

Ms. Marilyn Gladu: Thank you, Representative Higgins, for being here.

Certainly I agree that we're very thankful that you're here to work with us. Nobody wants the race to the bottom to put more taxes on either Canadians or Americans.

In trying to scope out who should be exempted, would you be able to provide the committee with a definition of who you think should be exempted in order for this to be equitable?

Secondly, my opinion is that, if people are exempt, they should not have to file taxes at all. Would you agree?

Mr. Brian Higgins: I would agree that.... I use Toronto and Vancouver as densely developed areas, and one of the members of Parliament who spoke previously indicated there are other more densely developed areas. I understand that.

I think a cottage is a small house that's near a lake or a beach and that's used on a seasonal basis. I think—

The Vice-Chair (Mr. Kyle Seeback): I'm going to have to interrupt there. We're already almost 30 seconds over. Maybe in the next round, you can continue to answer.

We'll now go to Mr. Sheehan for five minutes.

Mr. Terry Sheehan: Thank you very much, Congressman Higgins.

We met quite a few years ago. I was in Washington, and we attended a public works working group session together. We had the opportunity to discuss.... I'm from Sault Ste. Marie, and obviously you knew my good friend, Teddy Nolan, who was coach of the year in Buffalo. Before I go too much further, I wanted also.... We also discussed the 232 tariffs, and I wanted to highlight that and to thank you with the deepest thanks for coming out against them. I think your quote was "these misguided tariffs on our neighbors to the north," and I really do appreciate that.

I'm in Sault Ste. Marie. We have the sister city, Sault Ste. Marie, Michigan. There was a Jeopardy question one time about what the third-oldest permanent settlement in America was. It's Sault Ste. Marie. The unique difference is that we're larger than the American side. Our city is much larger than their side, so we have people who own property on either side of the border there.

Congressman, on your statement that you made, I want to make sure that we have it perfectly clear for our analysts to record it. One of our previous panellists, who in my opinion obviously represents the people he represents very well, had indicated that there should be an exemption for rural and urban. It should be just *carte blanche* for Toronto, Vancouver and Montreal when purchasing a home.

In your testimony, you really seemed to be talking about rural areas. Number one, I want you to clarify that is what you're looking at. You're not looking at exemptions for larger urban centres in Canada. Also, there exists a 28-day exemption right now. This is what the gentleman was getting at—the 28 days. Those people who are here for 28 days are in rural areas, and they are exempt from this tax.

I want you to make some comments on my questions and about the difference between rural and urban, and the 28-day exemption.

• (1250)

Mr. Brian Higgins: The 28-day exemption I was not familiar with, because the people who we're hearing from typically spend time in their cottages, as I mentioned, from Memorial Day at the end of May through the beginning of September. A lot of those folks are subject to that taxation.

You make that distinction between urban and rural. I understand that. To me, it's a cottage community. The homes there, the structures there, are disproportionately seasonal in nature. That would be the objective—to hold those folks harmless so that they can continue to enjoy their cottages on a seasonal basis, which would be considerably more than 28 days.

Mr. Terry Sheehan: I don't know about the housing situation in New York State. Is there a housing shortage there as well? Can you talk about...? I know you used to, and still might, be the co-chair of the northern border caucus. Are housing shortages being felt in the northern part of the United States?

Mr. Brian Higgins: There are what they would refer to as “affordable housing shortages”. There's a lot of housing. Much of it is not accessible to people of modest means. That's an ongoing issue in New York State, but it's an ongoing issue in the United States generally. When you see areas like San Francisco, they're going through a lot of urban challenges. The basis of that is the lack of affordable housing. There's a lot of homelessness and issues related to that.

It would be fair to say that we could use more affordable housing not only throughout Buffalo and New York State but also throughout the entire country as well.

Mr. Terry Sheehan: Out of curiosity, what strategies are you guys using? We're also looking at various things. What things have been successful in New York State to deal with affordable housing?

Mr. Brian Higgins: There are things like affordable housing tax credits and providing tax incentives for developers to build in areas they historically would not. That is a strategy that we've used.

Has there been some success? Yes. Is it all the success we hoped for? No.

The Vice-Chair (Mr. Kyle Seeback): That's the time, so we're going to move on to Monsieur Savard-Tremblay for two and a half minutes.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: Thank you, Mr. Chair.

Mr. Higgins, despite the imperfections of the tax, I think everyone agrees that the problem of real estate speculation and the resulting scourge of the housing crisis, which this tax is trying to address, are real and well founded.

I know that there is also a housing crisis in the United States. So I would like some clarification, since we are in the process of considering the terms of this tax. On the American side, how are you fighting speculation and the housing crisis?

[English]

Mr. Brian Higgins: In Canada...?

[Translation]

Mr. Simon-Pierre Savard-Tremblay: No, in the United States. What you tell us may inspire the committee.

[English]

Mr. Brian Higgins: As I mentioned, historical tax credits and affordable housing tax credits are used to provide market-based in-

centives for developers to undertake those kinds of projects that would make housing available for people of modest means.

The nature of developers, as you know, is to speculate about not the current value of property but the future value of property. I think that creates problems in the United States. It obviously creates problems in Canada as well. I think that was the origin of the vacant and underutilized tax that was approved in 2021.

When I look at my community of Buffalo, the fastest-growing neighbourhood in western New York is downtown Buffalo. Why is that? With the use of historical tax credits, we have a lot of historical buildings that were built 130 years ago, but they were vacant for a long time with the changing economy. The tax credit was put in place to provide, in some cases, a 30% to 40% incentive for a developer to undertake a project.

For example, if there was a \$10-million project in downtown Buffalo that a developer would have to take on, its historical nature made it a very expensive project to convert, if you will, from office space to residential space. If it's a \$10-million project and you can save \$3 million because of a historical tax credit, then a \$10-million project becomes a \$7-million project.

The justification for providing that tax credit is that the project would not have been undertaken because it was cost-prohibitive without the tax credit. It's a good investment that not only works for the developer but also works for the people who will eventually live there.

• (1255)

The Vice-Chair (Mr. Kyle Seeback): That's the time we have for that.

We'll go to Mr. Cannings for two and a half minutes.

Mr. Richard Cannings: Thank you.

I'll let Representative Higgins answer the question I rambled on about at the end of my time earlier.

Is this a Lake Erie shore problem? Do you hear from colleagues of yours, like Rick Larsen, about similar situations? I'm wondering how we can carve this out. I'm kind of bothered by a definition of a cottage being a small house used seasonally because.... Well, I can get to that later.

Can you talk about how widespread this situation is?

Mr. Brian Higgins: I think it depends on the geographic area. I think some areas are more affected than others.

In this case, you talk about urban versus rural and those distinctions. Buffalo is an urban centre. Niagara Falls, New York, is an urban centre. That's one of the reasons I think Canada—and those beaches I talked about in particular—is an attractive place. During the summer months people are able to vacation at these cottages.

I think if you look at the 120 land ports of entry, there are probably similarities to Buffalo and the Niagara region of southern Ontario, but there are probably distinctions as well. I think the kind of structure that it is.... When you see it, you know it. Cottages typically don't have basements. They don't have a lot of things you would have to do to a home to make it suitable or livable all year round. I think cottages are particularly unique.

When you drive through places like Bay Beach or Crystal Beach, you see how those structures are unique.

Mr. Richard Cannings: If you were writing an amendment to this legislation, how would you define “small” in legal terms? That's what I'm concerned about when we talk about those descriptions.

The Vice-Chair (Mr. Kyle Seeback): Representative, there are about 20 seconds left. I'm going to suggest that, if you want, you submit to the committee in writing what you think that proposal is.

Given the time, committee members, I suggest that, for this last round, we do three minutes each for the Conservatives and the Liberals.

Ms. Gladu, you have three minutes.

Ms. Marilyn Gladu: Thank you, Chair.

I want to follow up on my colleagues' comments. I'm from the riding of Sarnia—Lambton, also a border community. We have lots of cottages. Across the province and across the country, there are ski chalets, fishing camps, moose camps and lots of different kinds of properties that Americans own and use intermittently.

The difficulties I see with the way the regulations were rolled out are in the example that you mentioned, Representative Higgins. Crystal Beach is defined as an urban community, so the 28-day exemption doesn't apply. I think some clarity is needed to make sure that we get rid of the urban-rural definition, which doesn't seem to be capturing it. We also need to address the things that are meant to help the affordable housing situation and exclude all those things that really have no bearing on it, which, in my mind, are many of the things in your area.

Are there any similar taxes put in place in the U.S. that you know about?

• (1300)

Mr. Brian Higgins: No, not a federal tax.... Obviously, there are jurisdictions that also have taxing authority, be it a county in Florida or a state. They certainly may exist. Perhaps that is where this is different. There isn't a federal tax on property owned by Canadians, for example. I wouldn't be familiar with that.

Ms. Marilyn Gladu: If this isn't expediently resolved, what do think the timing would be when this would be raised with the USMCA through the American channels?

Mr. Brian Higgins: I don't know. I would push to have it done as soon as possible, but we're approaching this from several different angles, including that one. My objective would be just to continue raising concerns about this.

We are all economic actors. When we're confident, we move. When we aren't, we don't. The greatest inducement to travel is ease

of travel. I think that, on the part of all Canadian citizens and citizens of the United States, travel between our two countries, at least in terms of using the land ports of entry, has become much more difficult. My concern is that, over time, people will adjust their economic behaviour to avoid the cross-border experience at those land ports of entry. I don't think that is good for Canada. I don't think it's good for the United States.

Those are the kinds of things that, in the aggregate, will influence people's decisions about whether or not they are going to decide to travel. We talked about your golf courses over in Canada—

The Vice-Chair (Mr. Kyle Seeback): Again, I'm going to have to interrupt. We're about 30 seconds over.

We have Mr. Arya, our last questioner, for three minutes.

Mr. Chandra Arya (Nepean, Lib.): Thank you, Mr. Chair.

Representative Higgins, thank you so much for coming before our committee. Canada and the U.S have a long-standing relationship and the biggest trading partnership in the world. Sometimes there will be small differences in terms of policies, but we always resolve them by law through the means available.

I have a quick question. I believe that you have written to the United States trade representative that this tax is inconsistent with the Canada-United States-Mexico agreement. Has the USTR confirmed and agreed with you that this is inconsistent with the CUS-MA agreement?

Mr. Brian Higgins: I'm a member of the House of Representatives ways and means committee and the subcommittee on trade. I helped in the development of the trade agreement. I believe that—I've shared this with many of you—we should have had a binational approach to a tri-national agreement. Canada is a country of 38 million people. You have an economy of a little over \$2 trillion. We are a country of 330 million. We have an economy of \$24 trillion. Canadians value the same things as Americans: worker rights, the environment, etc. We're very similar in that regard.

The objective of free trade agreements is to bring everybody's standard of living to a higher level. When you look at the standard of living in the United States and Canada, they are very similar. When you look at Mexico and the fact that they have a—

Mr. Chandra Arya: Please, I think I have less than one minute.

Mr. Brian Higgins: I'm sorry. Go ahead.

Mr. Chandra Arya: I believe in May 2022, in Inside U.S. Trade, you wrote an article saying that the UHT violates the 1984 convention between Canada and the United States of America with respect to taxes on income and capital, the tax treaty. Have you gotten any feedback from the U.S. administration on your contention?

Mr. Brian Higgins: The tax treaty of 1984...? Is that what you mentioned, sir?

Mr. Chandra Arya: Yes.

• (1305)

Mr. Brian Higgins: No, I haven't.

Mr. Chandra Arya: Okay, so my information is wrong that you wrote an article on that.

Quickly, from what I heard previously from you—I'm just paraphrasing it—you are okay if this sort of tax is levied on people owning multiple properties in a typical urban area. Am I correct?

Mr. Brian Higgins: I think you're correct in that I understand why Canada would impose a tax on large swaths of land because of the larger problem that it creates. What I believe about that is really not relevant. That's for you to decide. I suppose what I would ask each of you to consider is whether or not this tax, the vacant and underutilized tax, was intended to affect communities. You refer to them as rural communities that are outside of the urban areas. I refer to them as cottage communities.

Was that the intent, and if it wasn't, is there some way that could be contemplated as it relates to revising that to exclude certain properties, like seasonal properties, that this was seemingly not intended to include?

The Vice-Chair (Mr. Kyle Seeback): Thank you. I'm going to have to interrupt there.

Thank you so much, Representative Higgins, for coming to the committee today.

With the committee's consent, I will adjourn the meeting. Thank you.

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