

Dear Mr. Eby,

I understand you have now reinstated your live town hall meeting over the new BC property taxes. Clearly, the new taxes are highly controversial and of grave concern to many voters across many neighbourhoods in BC. I was afraid that your cancellation of the event earlier today was your way of avoiding a face-to-face with the large number Interested Vancouverites who are completely opposed to these taxes, particularly the so called "school" surtax. I am glad to see you are now ready to face them. True, they are angry, but a brave person faces his critics.

I appreciate that there will be little time for individual engagement at the town hall. So here are some important questions for you and your NDP government to address:

### **1. What "gains" are you taxing?**

I recently saw some material in which you characterized property owners with home assessments exceeding \$3,000,000 as having had "windfall gains". I believe you are either quite naive about the nature of a gain, or that you are dissembling.

First, gains are obviously only realized when assets are sold. Asset values, which vary from time to time before an actual sale are merely theoretical and prove ephemeral more often than not. History shows this repeatedly.

Second, property owners who have debt against their properties cannot rightly be characterized as having "gains" equivalent to the gross assessed values. Gains are by their nature net of cost.

Borrowings for purchases are inputs to cost base. Equity contributions are inputs to cost base. So are interest payments and improvement expenditures (in the case of taxable capital assets). In some systems, the cost base is indexed to inflation, (similar to how the defined benefit pension plans enjoyed by your provincial employees for life, and their survivors for life, are indexed.)

Calling the unrealized, gross assessed value of a property a "windfall gain" is nothing short of ridiculous and obviously the product of shallow thinking. Or perhaps it is a venal scheme to arbitrarily tax a subset of property owners because they are sitting ducks, and because sticking it to them plays to the baser instincts of some of your supporters.

### **2. Are stable or rising property values a certainty?**

We live in precarious times. Here is the backdrop:

- Interest rates are rising. Affordability of Lower Mainland houses is dropping. Mortgage qualification requirements are rising. Conventional municipal taxes are skyrocketing, even without your surtax. Moneyed buyers are being driven from the housing market by xenophobic sentiment, highly restrictive development policies, outrageous wait times for development

permissions and pressure to preserve "heritage" homes, many of which no longer satisfy modern standards.

- Trade turmoil, import duty risks and a weak dollar threaten the cost of living here. High tax rates on small business relative to other jurisdictions and a graduated tax scheme which compares quite poorly with the US version make us relatively unattractive to new investment.

- Inflation is constantly eroding the value of money.

These are hardly harbingers of higher house prices, or, more importantly, values.

Your government's new property tax policies, (pure greed, sold as measures which will encourage "affordability") include escalating property transfer taxes, sky high foreign buyers taxes, speculation taxes, empty homes tax and the "education" surtax. These are all calculated to directly drive house prices down even more radically, though not to "affordable" levels. As well they threaten to seriously erode additional sectors of our economy, like tourism and construction, further threatening our economic well being, and, consequently, home values.

Your Government keeps demonstrating that it is irretrievably anti-business. More threat to our economy and to jobs, more threat to house values.

So no wonder that I am highly skeptical about the real present value of our home or the future value we might receive for our home, if and when we decide to sell. Meanwhile, you want a precisely calculated surtax this year and every year afterwards, based on the theoretical gross assessed value of an aging house, while we, the owners, get no money to pay the tax and are left exposed to all of the value risks in a highly uncertain future.

If you are so certain that values will remain stable or rise, guarantee us a tax refund if they don't.

### **3. Are you determined to drive people from their homes?**

These are peoples' homes you are targeting, not just financial assets.

My wife and I are 66 and 69, respectively. Like many of our neighbours, we have been in our home for over 30 years and we do not want to sell. Therefore the assessed value of our home is merely a burden because it is used to justify taxes. For us, what is of value is that we have actual lives in this home, neighbours we like, in a neighbourhood we love. Our children and grandchildren live nearby. We have lovingly maintained it and cared for it. Our home is, and has always has been, the centre of our family life. We cannot imagine having to move. Moving would utterly disrupt us and our whole family. If others around us were also forced to move, a wonderful neighbourhood community would be destroyed.

But you want to tax us heavily based only on a theoretical, gross, assessed "value", because you consider our home to be nothing more than a financial asset. You ignore the provenance of our

home, its actual non-monetary value to us and our family and its and our place in our community.

This is very wrong.

#### **4. Is it fair to change the rules on us after a lifetime?**

We both had long professional careers and we worked very hard to pay off our mortgage, (under significantly higher interest rate and tax regimes), and to save for our retirement with after tax earnings. We believed we would be relatively safe when we finally owned our home, debt free. But now that we no longer have salaries, you threaten our only safety net, our savings, which are basically irreplaceable. Your "education" surtax will impose on us the equivalent of a mortgage payment which will inexorably eat away at those savings and/or drive us into debt. Unlike government employees, we have no indexed and heritable defined benefit pensions or any other assurances of support, let alone of lifelong support. We have no ongoing income to pay this burden. Inevitably, our home will be unaffordable and we will be driven to move, even though our society has encouraged us to plan to live in it into our old age and to rely on it when we must.

#### **5. Is it fair to tax savings on which tax has already been paid?**

We have worked entire lifetimes. We dutifully paid all our taxes. For periods, this included income tax at over 55% rates and 75% capital gains rates and also federal and provincial surtaxes. In early years, our after tax earnings would hardly have sufficed to pay the surtax you now want. Of course, we also paid property tax, sales tax and myriad embedded other taxes. In recent years, we have had GST, Carbon taxes, Liquor taxes, car surtaxes, etc. In the last few years our property taxes, not including the surtax, have pretty well doubled, due to the rise in assessments, though we have not seen a penny of the assessed value and have not contributed to the factors underlying the increases in "value". Of course we also paid to live, to educate our kids, to support charities.

And we invested to maintain and improve our home, because various governments encouraged home ownership and home improvement with grants and incentives, and because we were led to believe that our home was a nest egg, a safety net. Our investment was substantial, because of the importance our home has in our lives.

*Our investment was entirely from tax paid money.*

And now you want to tax our tax paid savings and investment again. Not just the "gain", which we have not seen and may not ever see, but the saved portion.

Another rule change at the end of the game and another gross unfairness.

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If you fairly consider the questions and the observations above, I doubt you will be able to maintain that this surtax is in any way just or fair. It is, in fact, a nasty swipe, for political purposes, at people portrayed by you as well off, but with no consideration of simple economics or facts, and with no with apparent concern for peoples' lives or circumstances.

As noted, I am glad that you have reinstated the town hall meeting. Now you will be able to actually see the anger, fear, anguish, concern, outrage and shock your unfair surtax has caused in a number of your fellow Vancouverites. These reactions are Province wide. As of today, over 4,300 people have signed a petition against this surtax, a petition which has only been posted for 2 weeks. The number of signatures continues to grow.

Take heed. Your government should reconsider this surtax.

Yours truly,

Jonathan Rubenstein