

by JONATHAN ROWE

Elderly property owners in British Columbia are getting a unique form of property tax relief under a plan enacted recently by the Canadian province's Provincial Assembly. These property owners will be able to postpone part or even all of their property taxes until they sell the property or otherwise can afford to pay.

The plan provides more relief, yet is less burdensome to other taxpayers, than the much-touted "circuit-breaker" plans adopted by many states in this country. These "circuit-breakers" cut in when the property tax burden exceeds a set percentage of the taxpayer's income. The taxes above that level are completely forgiven, not just deferred, so other taxpayers must pay more to pick up the load.

The British Columbia plan, by contrast, enables taxpayers to defer all their property taxes. This puts extra cash into the elderly person's pocket, lessening the need for help of other kinds. Once the plan gets going, it is less burdensome to other taxpayers, because the relief is paid back, like a loan, when the property is sold and the cash is at hand.

**Relief Schemes Limited**

The new plan points up a basic shortsightedness in circuit breaker and other relief schemes enacted in the U.S. A property owner, even an elderly property owner, burdened by high property taxes is not really "poor". Property taxes become high largely because the owner's property is valuable, and is becoming more so. Owning valuable property is not a trait of the poor.

The problem is not poverty, but liquidity -- cash on hand. The wealth of such people is tied up in their home; it is not cash in their pocket. Elderly people on fixed incomes, living in homes they bought when their income was much higher, are in an especially ironic bind. As their property increases in value, they are getting richer, and at the same time incurring property taxes which are eating up their ready cash and making them, in the short run, poor.

It is generally considered unfair and cruel to expect such people to sell their homes just to pay the taxes. But it is equally unfair to

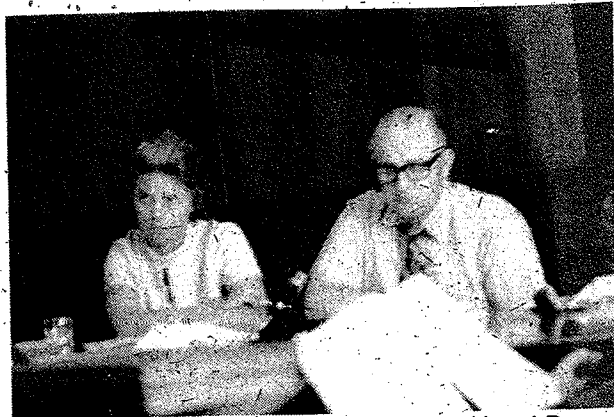


expect other taxpayers, who may be poorer, to bail them out completely. The British Columbia plan strikes a balance between the two. It grants temporary relief, what amounts to a loan, secured by the taxpayer's property.

**Here in brief is how the B.C. plan works:**

- Canadian citizens over 65, owning residential, farm, commercial or industrial property, are eligible.
- These property owners may, if they choose, sign an agreement to defer part or all of their property taxes.
- When the agreement ends, these taxes become payable; but the taxpayer can pay them back sooner, without penalty.
- The Province reimburses localities for the revenues they lose from the deferral.
- The loan, like a mortgage, is secured by the taxpayer's property.

Forty million dollars was the projected cost of the program, out of an annual provincial budget which this year will exceed \$3 billion. The actual first year cost was closer to only \$.5 million, however, because fewer people applied than was expected. Even the



B. C. legislators Karan Sanford, Carl Liden (l) and Rosemar

40 million is only a temporary cost, though, since it will be paid back.

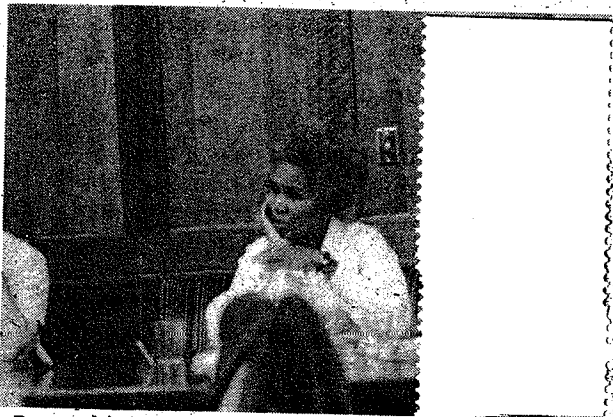
The deferral should not cut too deeply into the elderly person's equity, nor into the value of their estate. B.C. Premier and Finance Minister David Barrett estimated that it would take more than 32 years for the accrued deferred taxes, plus interest, to equal the typical value of a home in a typical B.C. locality.

#### U.S. Applications

The B.C. idea could be applied in the US in a number of ways. For one, it could replace the outrageous exemptions state and local governments often grant to attract new industry and construction. Instead of forgiving the taxes completely, the locality could simply defer them, like a loan, until the operation is on its feet and turning a profit.

One shortcoming of the B.C. tax deferral plan is that it does not help renters. Some states have extended their circuit breakers to renters, and indeed it is for this group that circuit breakers are really appropriate. Renters do not own their property, and so relief for them is not just a public subsidy for their accumulating nest egg. They are often poor in the true sense of the word. We would save millions in tax dollars in this country if we could grasp this difference between property owners and renters, and tailor our tax relief accordingly. ■

For further information on the B.C. property tax deferral plan, write Peter McNelly, Administrative Assistant to the Minister of Finance, Parliament Building, Victoria, British Columbia V8V 1X4.



ie Brown (r) during property tax hearings.

From the Reader of the Conference on Alternative State & Local Public Policies held June 10-13, 1976 in Austin, Texas. The reader was edited and compiled by Derek Shearer, California Public Policy Center Los Angeles, California and Lee Webb, Professor of Public Policy, Goddard College Plainfield, Vermont.

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