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Chair: The Honourable Judy A. Sgro



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• (1540)

[English]

The Chair (Hon. Judy A. Sgro (Humber River—Black Creek, Lib.)): I call this meeting to order.

This is meeting number 70 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 need to make a few comments for the benefit of the witnesses and members.

Please wait until I recognize you by name before speaking. When speaking, please speak slowly and clearly. For those participating by video conference, click on the microphone icon to activate your mike, and please mute yourself when you are not speaking.

With regard to interpretation, for those on Zoom, you have the choice at the bottom of your screen of floor, English or French audio. For those in the room, you can use the earpiece and select the desired channel.

This is a reminder that all comments should be addressed through the chair. For members in the room, if you wish to speak, please raise your hand. For members on Zoom, please use the “raise hand” function. The clerk and I will manage the speaking order as best we can, and we appreciate your patience and understanding in this regard.

Please also note that during the meeting, it is not permitted to take pictures in the room or screenshots on Zoom.

Should any technical challenges arise, please let us know, and we will suspend in order to ensure that everyone has translation.

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

We have with us today from the Department of Finance, Amanda Riddell, director of real property and financial institutions in the sales tax division of the tax policy branch, and Robert Ives, expert adviser in the sales tax division of the tax policy branch. From the Department of Foreign Affairs, Trade and Development, we have Mark Allen, executive director of the United States branch.

Welcome, all.

We will start with opening remarks, of course, and then start with rounds of questions.

Ms. Riddell or Mr. Ives, would you like to start, please?

Ms. Amanda Riddell (Director, Real Property and Financial Institutions, Sales Tax Division, Tax Policy Branch, Department of Finance): Thank you, Chair. Thank you for having us.

Good afternoon, my name is Amanda Riddell. I am the director of the real property and financial institutions section of the sales tax and excise division of the tax policy branch at Finance Canada.

I'm here today to provide the committee with a brief overview of the federal underused housing tax, or UHT, which my section was tasked with developing by the government.

I'm joined by my Finance Canada colleague, Robert Ives, as well as my colleague from Global Affairs Canada, who can speak to any implications that the tax might have on Canada-U.S. relations.

The UHT is an annual 1% tax that applies on the value of generally non-resident, non-Canadian-owned residential property in Canada that is regarded as vacant or underused. The measure originated from a 2019 election platform commitment of the government.

In budget 2021, the government announced its intention to implement the UHT, effective beginning in the 2022 calendar year. Budget 2021 indicated that the tax is intended to do two things. First, it's to help ensure that foreign, non-resident owners of underused Canadian housing pay their fair share of Canadian tax, with the revenues helping to support the government's investments to make housing more affordable for Canadians. Second, it's to help ensure that housing in Canada is available for the use of Canadians.

Budget 2021 also announced that the government would be releasing a consultation paper to provide stakeholders with an opportunity to comment on the parameters of the proposed tax. Later that year, a detailed backgrounder on the proposed parameters for the UHT was released. It was on August 6, for a six-week consultation period. The consultation also requested views on whether special rules should be established in respect of residential properties located in smaller resort and tourism communities, and if so, what those rules should be.

There were 41 submissions received during the six-week consultation period. Twenty-five of those submissions were made by individuals, and 16 were made by organizations.

The legislation to enact the tax was tabled in December 2021 and received royal assent in June 2022.

The UHT applies on an annual calendar year basis to the person who is the legal owner of a “residential property” as defined in the act, on December 31 of that calendar year. Certain owners are excluded from the scope of the UHT, including Canadian citizens and permanent residents of Canada who own their residential property directly in their own right. All other owners are required to file an annual UHT return in respect of each residential property they own.

In this return, an owner may be eligible, however, to claim an exemption from the tax. For example, it can be based on the use of the property, such as where it is being rented out on a long-term basis, or based on the type of owner, such as when the owner is a corporation that is 90% or more Canadian-owned.

The inaugural UHT returns for the 2022 calendar year were due on April 30, 2023. However, the tax had received very little attention until earlier this year, when the CRA released the UHT form and UHT technical guidance. Once those materials were published, it became apparent that there was a general lack of awareness regarding the tax and some confusion about what types of properties were subject to the filing requirement.

On March 27, the CRA decided to waive penalties and interest—which is effectively like extending the filing deadline—for six months, until October 31, 2023.

As a federal tax, the UHT is intended to apply broadly and consistently across Canada. The one exception to this is for vacation homes in certain areas of the country. To qualify for the vacation property exemption, a residential property must meet both a location and a use requirement. The property must be in an area of Canada that is generally considered rural. More technically, the rules are that the property must be located in an area outside of a census metropolitan area or a census agglomeration having 30,000 or more residents, or it could be included in the rural parts of a CMA or census agglomeration having 30,000 or more residents.

The property must also be used by its owner or the owner's spouse or common-law partner for at least 28 days in the calendar year. These days do not need to be consecutive.

● (1545)

When administrative data from the 2022 tax filings becomes available, the department will have a much better sense of foreign

ownership rates and property use by foreign owners, which will be of great benefit for future policy analysis.

We look forward to your questions.

Thank you.

The Chair: Thank you very much. That was very informative.

We'll go to Mr. Baldinelli for six minutes, please.

● (1550)

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

I'd like to thank the officials for being with us this afternoon, for your brief outline and the consultation you provided to us prior to our travel to Washington, where we met with several members of Congress and representatives.

As you probably know, I come from an area that straddles the Niagara River and borders on Lake Erie. There are a lot of summer properties that are owned by Americans in that area.

If you stay, you'll have an opportunity to listen to some of the residents who are appearing later on this afternoon. Some of the properties have been owned since 1905.

In fact, in Crystal Beach, there's a facility called the Buffalo Canoe Club, which was established in 1882 and moved to Fort Erie in 1891. The facility still exists and operates, with not only American residents but Canadian residents as well.

We've had American visitors for over a century, people who have owned properties for over a century. Those American residents are part of our social fabric. To those who live in our community, it's not considered an international border; it's a river that separates two friends.

I was first contacted by a gentleman who will be making one of the presentations later on today. He wrote to me in February 2022. I wrote to the minister in March 2022 seeking clarification and some guidance with regard to the changes and how this would operate with seasonal property owners, and we're still looking for that kind of clarification, because there are anomalies. Some people will be exempt. You'll find out later on this afternoon that I have one resident who has a home that is taxed, while 450 metres away, they're exempt, so the situation doesn't make sense.

I think there's a solution to the problem that exists, and we can find a common ground with regard to the regulations and how we can word those regulations. We can find a common ground that will solve this issue.

Going back, you talked about consultation and the consultation document of 41 submissions. Were any of those from people in our community?

Ms. Amanda Riddell: I'm going to pass this to Rob Ives, because he is very familiar with the consultations and all the submissions received.

Mr. Robert Ives (Expert Advisor, Sales Tax Division, Tax Policy Branch, Department of Finance): Of the 41 submissions, there wasn't a single one from the Niagara region.

Mr. Tony Baldinelli: How did the government go about seeking input? Again, we're talking about American residents. They're there for the summer, but during the winter months they're in Buffalo, so how would they have even known this tax was being considered?

Mr. Robert Ives: The tax was announced in budget 2021, in the budget documents. There was a mention in the budget documents that a consultation would be taking place very shortly thereafter. The consultation paper was released on August 6, 2021. The Department of Finance uses social media to get the word out: Twitter, Facebook, LinkedIn and those sorts of sites, and the consultation was open for a six-week period.

To your question, there was nothing from the Niagara region, unfortunately.

Mr. Tony Baldinelli: There was a lack of general awareness, I think, and you mentioned, Ms. Riddell, that it was almost this year before it was announced. I've been working with a representative from the United States, Congressman Higgins, to bring forward this issue for over a year now, and there seem to still be some concerns.

Mr. Allen, you will know this was raised by the Canadian government on May 5 with the United States trade representative. In fact, on May 25, Congressman Higgins and 13 individuals wrote to Secretary Blinken regarding the matter. It's becoming a trade impediment to us, potentially, with regard to the relationship, and I don't think we want that. The relationships we have, like I said, are so close that we consider our area a binational region, not two countries.

Based on consultation and input from Americans, is the government looking at making changes to address some of the concerns those people have?

Ms. Amanda Riddell: The UHT is a brand new tax. We were hoping to have a consultation period and feedback. We received a fairly limited amount of feedback at the time.

As I was saying, once the UHT form and the guidance came out, it suddenly hit people's radars, and we've received quite a bit of feedback since that time. I can confirm that the department is carefully considering all of that feedback.

• (1555)

The Chair: Fifty-two seconds.

Mr. Tony Baldinelli: I forgot what my other question was going to be with regard to that.

If you have a question, I will ask mine—

Ms. Marilyn Gladu (Sarnia—Lambton, CPC): I have heard a lot of concerns from people who are trying to go through this that they have had to have their accountants do the tax filing, and it has cost about \$800, which is more than most people spend doing their entire tax.

Why is it so complicated, and how could we fix that?

Ms. Amanda Riddell: I don't know how many of you are aware, but there are similar types of taxes that are imposed at the municipal level, and they are relatively straightforward. You have your roll number. You just click a button and you can do it in a matter of seconds.

That's largely thanks to the fact that municipalities have access to property ownership data and can reach out directly to property owners. The federal government doesn't have that same luxury, so in the form we have it's a bit more complex in the sense that we're trying to gather a bit more data.

The form is not that complex, though. It asks for some basic tombstone data, a bit of data about the property, and then you check a box if you're entitled to an exemption.

We have heard that accountant fees are high, between \$500 and \$1,000. I can't speculate on whether that will change, but that does seem high to me.

The Chair: I'm sorry. You're way over. I was anxious to hear the answer though, as was the rest of the committee.

Mr. Virani is next, for six minutes, please.

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

Thank you very much for being here.

I'm going to go a little fast, because there's a lot of ground to cover, but just tell me yes or no, if I have this correct.

Ms. Riddell, this tax applies to non-Canadian citizens, non-Canadian permanent residents.

Is that correct?

Ms. Amanda Riddell: It applies to properties that are owned....

Rob, you can probably give a more comprehensive answer.

Mr. Robert Ives: It applies to non-resident non-Canadians as well as a number of entities—Canadian corporations that are owned by foreign persons and foreign corporations.

Mr. Arif Virani: Good, but in the norm it doesn't apply to Canadian residents and Canadian citizens.

Mr. Robert Ives: That's correct.

Mr. Arif Virani: Okay.

It was addressed, you mentioned, to the objectives at the outset, Ms. Riddell. They were outlined in the budget or in the platform, and they talk about addressing the shortage of housing and how Canadian housing should ideally be targeted at Canadians.

Is that one of the objectives of the tax?

Ms. Amanda Riddell: Yes. The two main objectives of the tax.... I will read them again.

It's to help ensure that foreign non-resident owners of underused Canadian housing pay their fair share of Canadian tax, with the revenues going to help support the government's investments to make housing more affordable, but also to help ensure that housing is made available for the use of Canadians.

Mr. Arif Virani: You talked about some of the exemptions, but there are many exemptions. What I understand is that it doesn't apply to a property that is not livable year-round. The UHT is not applicable to a place in ski country that's not winterized, or a cottage that's not winterized.

Is that correct?

Ms. Amanda Riddell: That's right. There was a lot of consideration given to making sure the tax didn't apply in situations in which it was unfair, so there are a series of exemptions.

I can go through them all, but generally speaking the categories are that there are exemptions based on the occupant of the residential property if it's your primary place of residence, for example.

There are exemptions based on the location and use, such as the vacation exemption, which we were talking about.

There are exemptions based on the property conditions, so if it's a new construction, or it's not suitable to live in year-round, or it's uninhabitable because of a disaster or renovations, for example.

Then, of course, there are exemptions based on the type of owner, so even though you have to file, you're entitled to an exemption if you're a Canadian corporation that is 90% or more Canadian owned, etc.

Mr. Arif Virani: It would be helpful for the committee if you tabled the full list of all the exemptions. Could you provide that to us in writing, the full list of all the exemptions?

Ms. Amanda Riddell: I would be happy to, yes.

Mr. Arif Virani: You mentioned the exemption if you or your spouse stay there for 28 days or more, but I also understand there's an exemption if your child is at a Canadian learning institution and is living there. That's also not subject to the tax.

Is that correct?

Ms. Amanda Riddell: Do you want to take that, Rob?

Mr. Robert Ives: I can handle that.

If a child of the owner or the owner's spouse is there for 180 days in a calendar year and is studying at a designated learning institution, then the property would be exempt.

Mr. Arif Virani: For the people who are filing for this tax, are these the individuals' principal residences, or are they vacation

homes? I presume it's the latter, because their normal home is somewhere else and they are using this temporarily.

Is that a fair assumption?

Mr. Robert Ives: Typically, it would be a secondary residence of those individuals.

• (1600)

Mr. Arif Virani: Have you any sense of the general income status or level of wealth of these individuals who have secondary homes in a foreign jurisdiction such as Canada?

Mr. Robert Ives: I don't think we have that data, but one can assume that if someone owns a secondary property, they're probably more well off.

Mr. Arif Virani: That's certainly the assumption I would draw.

This has come up most recently in terms of the last set of questions you were asked. This is more directed to Mr. Allen. We've actually seen that the U.S.-Canada trading relationship has never been at as high a level as it is right now.

Do you have any evidence that shows the UHT is having an impact on the trading relationship between the two countries? I'm talking about Canada and the United States.

Mr. Mark Allen (Executive Director, United States, Department of Foreign Affairs, Trade and Development): No.

Mr. Arif Virani: Do you have any reason to think it may have an impact on the trading relationship?

Mr. Mark Allen: No.

Mr. Arif Virani: In terms of some of the consultations that took place, what efforts did you make to get the word out about the consultations?

You described that in the budget it was telegraphed, but just elaborate on the consultations that took place.

Mr. Robert Ives: The consultation was launched on August 6, as was previously mentioned. Social media was used to amplify the fact that a consultation was ongoing.

There were certain limitations, I guess, as a result of the election that was called on August 16, 2021. There were 36 days during the consultation period that the department was subject to the caretaker convention.

Mr. Arif Virani: Let me put it to you this way. For the exemptions Ms. Riddell mentioned that were carved out based on use, occupancy, how old the building was and the seasonal components, were they elaborated upon and specified as a result of the consultations? Did the consultations feed into how those exemptions were created?

Mr. Robert Ives: The consultation details the vast majority of the exemptions that exist currently.

Mr. Arif Virani: Okay, that's useful to know.

I've nothing further. Thank you.

The Chair: Thank you very much.

Mr. Savard-Tremblay, you have six minutes, please.

[Translation]

Mr. Simon-Pierre Savard-Tremblay (Saint-Hyacinthe—Bagot, BQ): Thank you, Madam Chair.

This is for Mr. Allen, executive director of the United States division of the Department of Foreign Affairs, Trade and Development.

On Monday, the committee met with Mr. Higgins, a U.S. congressman, by video conference. I asked him to describe the extent of the dispute, discomfort or anger around the UHT on the Americans' side. He said that not enough of his colleagues had taken part in the discussions on the matter.

Apart from the letter that was sent to you, can you help us understand the scope of the crisis, or dispute, if I can call it that? First, is there a dispute, and second, how important is this issue to the Americans? To what extent, have they reached out to you about it, and are the two countries talking?

Mr. Mark Allen: Thank you for your question.

As mentioned, the U.S. administration has raised the issue on occasion, but not consistently. Whenever the issue came up, it was to convey the concerns of Mr. Higgins. It wasn't raised as an issue the two countries needed to work on.

The committee has a lot of experience with the various trade issues between Canada and the U.S. I wouldn't say this is something that has reached the same level of importance as other issues.

Mr. Simon-Pierre Savard-Tremblay: Would it be accurate to call this a relatively minor dispute in the Canada-U.S. relationship?

Mr. Mark Allen: Yes. I would say that it's not even something the U.S. administration has really registered as an issue.

Mr. Simon-Pierre Savard-Tremblay: Thank you for clarifying that, Mr. Allen.

Now I'm going to turn to the finance officials, Mr. Ives and Ms. Riddell.

Let's be clear. This tax is beneficial because it helps to address speculation in the real estate market. We know that big groups care about profits, not about building housing or ensuring that there is enough housing for the people who need it. They look at housing bubble trends. The tax can also help to prevent artificial market inflation and free up buildings. It's ludicrous that, in the midst of a housing crisis, people are trying to find housing while there are all these empty buildings around them.

The problem, though, is that this is the first time Ottawa is interfering in property taxes. Patrick Taillon, a constitutional expert, actually warned us about that last year.

Did you look into the constitutional aspect of bringing in this new tax field?

• (1605)

[English]

Ms. Amanda Riddell: We provide advice to the minister on lots of different aspects, so that would include the constitutional risks, the tax risks and all of the policy considerations. Unfortunately we're not at liberty to discuss the advice we would have given the minister on that issue, but yes, it was considered.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: You cannot tell us, now, whether you had the necessary advice to confirm that this new tax field was fully constitutional.

Is that correct?

This is a first by the federal government.

[English]

Ms. Amanda Riddell: To that specific question, no, we have not received any notice.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: All right. That's great.

Did you talk to your provincial counterparts before introducing the tax?

[English]

Ms. Amanda Riddell: We, as officials, did not specifically consult with the provinces prior to the introduction of the tax. The consultation was certainly open to any and all voices, so we would have very happily received any commentary that would have been provided by municipalities, provinces, areas, etc.; however, very little, if any, was offered.

Although, Rob, did you...?

Mr. Robert Ives: We didn't get anything from the provinces specifically, but we did get some submissions from a variety of municipalities throughout Canada.

[Translation]

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

The tax was introduced in 2022, if I'm not mistaken.

Do I have that right?

[English]

Ms. Amanda Riddell: It's effective for the 2022 calendar year, so the conditions start applying as of January 2022. The first returns were to be filed by April 30, which was subsequently moved to October 31, 2023.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: So far, have you had any feedback or heard any stories about the tax's impact?

Have you started examining the impact, or is it still too early for that?

Are you able to give us an assessment today?

[English]

Ms. Amanda Riddell: The tax is in effect. We are receiving feedback, as I said, because people have become aware of the tax. For people who are negatively impacted, they're reaching out to us to let us know what their concerns are, and we're taking all of that into consideration and briefing the minister accordingly.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: Have you had any feedback to suggest that speculation in the real estate market is down, that buildings have become available, that the tax has had a positive effect on the market?

[English]

Ms. Amanda Riddell: For the most part, the Department of Finance generally receives feedback in the negative sense, and not in the positive sense. This isn't just the case for the underused housing tax, but for all taxes. It's not too often we receive positive feedback.

A voice: Welcome to our lives.

The Chair: Thank you very much, Mr. Tremblay. Your time is up.

We will move on to Mr. Cannings for six minutes, please.

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

Thank you for being here with us today.

I represent a riding in British Columbia where we have the speculation and vacancy tax, which is quite similar to this, I would say. It has similar motives. It's a little different. It applies to both domestic and foreign owners, although there is a difference in the tax rate, depending on what your status is. It's been around for four or five years now, I think.

I am just wondering if there was any analysis done on how that was working. I know there is some good data, from what Monsieur Savard-Tremblay was asking, as to how it has affected the availability of homes and houses for locals to live in. I am just wondering if there was any analysis of that tax and how it was doing before this one was brought in.

Ms. Amanda Riddell: I'll let Rob supplement my answer, but I will begin by saying that in general at the federal level there is a bit of a dearth of data on how this sort of tax might apply across Canada. Where there are instances of data available at the provincial level, absolutely we certainly did take that into consideration.

Is there anything to add?

Mr. Robert Ives: The only thing I would add is that the experience in B.C. was used in developing our costing of the measure, but beyond that it wasn't really something that was taken into account.

• (1610)

Mr. Richard Cannings: I would say the real difference between this and the B.C. tax is that for the B.C. tax, basically the government chose areas that were being impacted more intensely by soaring housing rates, low availability of rentals, etc., so it was mainly the big urban centres.

In my riding it's not applicable at all, even though there are cities of 50,000, 30,000, 10,000, etc.

I'm just wondering if some of the concerns about this tax could be addressed in that way.

Ms. Amanda Riddell: The way I would answer is that when it comes to a municipally imposed tax, they have much more information and much more control to have the tax apply in very specific areas. When you're applying a tax at the federal level, it needs to be applied consistently across Canada. We try to introduce rules that would apply consistently across Canada, based on population statistics.

That was the approach we took to try to get as much consistency and fairness as we could across the various regions, which are quite different from province to province.

Mr. Richard Cannings: You couldn't use statistics across Canada, such as housing availability, the increase in housing prices, or something like it that would trigger it, rather than just whether you're in a census metropolitan area.

Ms. Amanda Riddell: Rob can maybe take this a bit further, but when you're developing a tax, it generally has to apply consistently. You have to use consistent and understandable measures across the country. We chose rules that were consistent and measurable across the country.

Rob, would you like to supplement that?

Mr. Robert Ives: Sure.

As an exercise of the federal taxation power, the primary purpose of the measure is to raise revenues. The government decided to apply the tax on a national basis. That was a decision of the government.

Mr. Richard Cannings: If there are any ideas of changing the tax or adjusting how it's implemented, would that be done through changes in regulation, or would it have to come back for amendments? What would that process be like?

Mr. Robert Ives: There are broad regulation-making powers under the Underused Housing Tax Act. The legislation can also be amended as Parliament sees fit. Those are decisions that the government and Parliament must make.

Mr. Richard Cannings: You talked about the feedback you got, and said you hadn't received any from the Niagara region. Where did you get feedback from? What was that feedback, in general terms?

Mr. Robert Ives: On the specific issue of resort and tourism communities, which was part of the consultation, we received representations from property owners with properties in Prince Edward Island, Nova Scotia, certain areas of Ontario that were not in the Niagara region, Whistler in British Columbia, and a small community, which I can't remember the name of, in a rural area of B.C.

Those are the ones I can recall.

Mr. Richard Cannings: They were concerned that they would be captured under these things, but they thought of this as more of a vacation home situation.

Mr. Robert Ives: That's precisely it. They were just raising concerns that perhaps they'd have to sell their vacation property to avoid the 1% tax on the value of their vacation home.

The Chair: Thank you very much, Mr. Cannings.

We will go to Mr. Seeback for five minutes, please.

Mr. Kyle Seeback (Dufferin—Caledon, CPC): That's great. Thank you, Madam Chair.

Why would you not just be able to simply sign the form saying, "I have an exemption," instead of having to go through it, fill out all kinds of information about your property, including values that you may not know, and then click a box at the end that says you have an exemption? Wouldn't it just make more sense and make it easier for Canadians if at the start of the form you just clicked, for example, "I have an exemption; it's a seasonal property that's not winterized"?

Mr. Robert Ives: The question is partly, I guess, directed to the CRA, given that they are responsible for the administration and enforcement of the tax, but perhaps I can comment briefly.

The form is seven pages long, but a significant portion of that is listing the exemptions that are available to property owners. If someone is entitled to an exemption, I'm under the understanding that the CRA's policy is that the value of the property does not have to be provided in the return. Basic property information is required to be provided—the name of the owner, the address of the property, and things like that—but the information that's being requested is actually fairly minimal.

• (1615)

Mr. Kyle Seeback: How much money is this supposed to raise? You said one of the goals is to raise revenue to create affordable housing. How much is it estimated that this is going to raise?

Mr. Robert Ives: The department estimated the UHT would raise approximately \$875 million over the fiscal planning period beginning 2022-23 to 2027-28, and \$140 million annually thereafter.

Mr. Kyle Seeback: How many paper returns is it estimated will be filed?

Mr. Robert Ives: I can't comment on the number of paper returns that are going—

Mr. Kyle Seeback: You can file only a paper return, right? It's the form.

Mr. Robert Ives: The return can be filed electronically as well as by paper. I believe that currently there is somewhere in the neighbourhood of a fairly even split between paper and electronic forms, but you'd have to—

Mr. Kyle Seeback: Do you have an estimate of how much it's going to cost to administer all of this? It's going to be millions of forms being sent in to the government for this tax.

Mr. Robert Ives: I can't answer that question. It's a question that would have to be directed to CRA officials. They are best placed to answer that.

Mr. Kyle Seeback: When you developed this policy, did you not look at what the cost-benefit of this would be? We're going to have x amount of revenue, but internally it's going to cost y . Therefore, x

minus y is the actual amount of money that's going to be available, allegedly, for affordable housing.

Wasn't that part of the policy consideration?

Ms. Amanda Riddell: When we're briefing the minister, we brief the minister on absolutely all aspects of the tax. You can imagine that all relevant considerations, such as cost-benefit analyses, are included in our briefings. Yes, the minister would have been briefed on—

Mr. Kyle Seeback: You don't have those estimates here today.

Ms. Amanda Riddell: It's not something I'm at liberty to provide, unfortunately, because it forms part of the advice to the minister.

I apologize. I'm not trying to be awkward. It's just that as officials, the advice to the minister is confidential, and we're not at liberty to discuss it.

Mr. Kyle Seeback: Given the lack of knowledge of this tax, how are you going to measure compliance?

This is supposed to target non-residents, effectively. That's what we're mostly looking at, but Canadians may have to fill out this form as well.

Do you have any idea how to measure compliance, like who has actually filled this out when they should have? As you said, you don't have access to any municipal databases or an index of properties.

Mr. Robert Ives: CRA has a variety of mechanisms it uses to ensure compliance with Canada's tax statutes.

With respect to the specifics of this particular measure, if you're interested in how the CRA intends to go about administering and enforcing the tax, I would suggest the committee speak to CRA officials about that question.

The Chair: Thank you very much, Mr. Seeback. Your five minutes are up.

Mr. Virani is next, please.

Mr. Arif Virani: Thank you very much.

Ms. Riddell, at the outset of your comments, you talked about the census metropolitan area and the census agglomeration, I think. If an entity or a location of a house is designated as rural, it's exempt. How you define rural is based on the CMA or CA definition.

This is a line-drawing exercise. Inevitably, when a line is drawn, some people are on one side of the line, getting exempted, and some people are on the other side of the line, and they are not exempted.

Is that fair?

• (1620)

Ms. Amanda Riddell: Yes, that's fair.

Mr. Arif Virani: You mentioned specifically that even within the CMA/CA fold, if you're in the rural part of a CA or CMA you may be exempted, which might explain some of the questions you heard earlier about why a house 400 metres away is on one side or the other. It's just because a line had to be drawn somewhere.

Ms. Amanda Riddell: That's exactly it.

Mr. Arif Virani: Here, the line drawing was used because, I presume, you're trying to come up with some proxy for dividing urban versus rural, and it is in urban areas that we have the most sensitive issue about housing shortages. That's what we're targeting with the UHT.

Is that fair?

Ms. Amanda Riddell: Yes, that's fair.

Mr. Arif Virani: I also understand that the census metropolitan area as a notion or formula is not unknown to the Government of Canada. That is a long-standing StatsCan definition that is used in other areas.

Is that fair?

Ms. Amanda Riddell: Yes, that's fair.

Mr. Arif Virani: Okay.

I'll turn it over to Mr. Sheehan to continue the questioning.

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

Thank you for your presentation. Let's pick up a bit from where Kyle was going about the 1% versus, say, a 2% or 3%. If it is something that we're looking at doing, what would be the advantages of increasing from 1% to 2% or 3%?

Ms. Amanda Riddell: The decision to go with 1% was a decision for the minister, so that is a question you should probably put to the minister.

Mr. Terry Sheehan: That's fair enough.

We're talking a lot about Ontario cottages and the term "cottages". For people south of northern Ontario, we call them camps, and that's a big distinction, a bit of a joke, but the camps in northern Ontario.... The prices of cottages or camps in Ontario are about \$300,000 to \$800,000, on average. Sure, we have \$800,000 camps in northern Ontario, but a lot of them are around the \$300,000 mark when you talk about northern Ontario. When you talk about Parry Sound, Muskoka, and then you start talking about Port Carling.... I went to a cornfest there once—and wow, there were Rolls-Royces pulling up. It's a very rich area.

There is this functioning thing...and this is before all of this. I've been involved in local politics for about 26 years—on the school board and then on city council—and it was about assessment. MPAC, along with the mil rate, sets the tax rate. When there is a bunch of activity where people are buying homes, it has the effect of raising taxes for Canadian ratepayers, and everyone.

How exactly do you guys determine the 1%? On what value is it determined? Is it through an assessment corporation like MPAC, or is it through another process to you?

Mr. Robert Ives: The 1% applies on the greater of the assessed value for municipal taxation purposes and the property's most recent sales price. There is the ability of a property owner, if they disagree with the use of either of those, to use the fair market value of the property by way of an election.

Mr. Terry Sheehan: Okay. That's fair enough.

This is the last one. Congressman Brian Higgins, who is just a stellar individual, did a lot of work against Trump on the section 232 tariffs. I asked him if he was aware of the exemption about the 28 days, and he was not, because he was really talking about a very specific group of people.

Could you please explain to the committee again the 28-day exemption? I think a lot of people may be exempt but just aren't aware. Is there retroactivity, to go back and to file and say, "Well, I just wasn't aware that I was exempt"?

Mr. Robert Ives: The exemption that has the 28-day component is the so-called vacation property exemption, which is available in certain areas of the country. As was mentioned earlier, to qualify for that exemption it has to meet both the location test and the use test, and I believe it was described already, but I can go over it again. The property has to be located in an area of Canada that is the rural part of a census metropolitan area or a census agglomeration having 30,000 or—

• (1625)

Mr. Terry Sheehan: Would there be retroactivity, say, if you did not file in this year, 2022-23, and you just realized that you could have been exempt?

Mr. Robert Ives: It's the sort of question that you would need to ask the Canada Revenue Agency, but I suppose, if a person filed a return on the basis that they had tax owing and then discovered after the fact that they actually were eligible for an exemption, that the person could file an amended return with the CRA to correct that fact.

The Chair: Thank you very much.

We'll go on to Monsieur Savard-Tremblay for two and a half minutes, please.

[Translation]

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

We heard from farmers, and they said they had concerns about the vacant housing tax.

The requirement to house seasonal foreign workers means that those accommodations will be vacant in the off-season, which makes sense. Farmers told us that, even when they are exempt from the tax, they still have to file a return, costing them between \$500 and \$1,000. They have to do all that when they are already dealing with difficult circumstances.

If they were formally exempted from filing a UHT return, would it have any impact on the revenue coming from the tax? I'm sure there would be some impact, but do you have a sense of how to measure it?

[English]

Mr. Robert Ives: When it comes to farmers, if a Canadian farmer owns a residential property in their own name, there is no UHT filing requirement, as they're an excluded owner as a Canadian citizen or a permanent resident of Canada. Where the issue comes up is where a farm is incorporated and the residential property is held under the title of the corporation.

The Department of Finance is aware of a number of concerns about the filing requirement, despite the fact that corporate farmers would otherwise qualify for an exemption. We are looking at those issues and briefing the Minister of Finance on that.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: The committee received a brief from the Canadian Federation of Agriculture indicating that farmers have to file a return.

[English]

Mr. Robert Ives: As mentioned, if the farmer owns the property individually, they are not required to file, but again, if it's a farmer who's operating as a corporation, then currently the requirement is that they need to file in respect of any residential property they own.

The Chair: Thank you.

Mr. Cannings, you have two and a half minutes.

Mr. Richard Cannings: Thank you.

I'm just trying to dive down into the way we could maybe improve the definitions here on a national scale. We had Representative Higgins before us a couple of days ago, who basically said that these are vacation homes; they're cottages. If you looked at it, you would know that's what it was.

I immediately thought, well, that would be kind of hard to define in legal terms.

Is there any way you could set a ratio of, say, the assessed value of a home versus the average assessed value in that region or something? Would that be too much in the weeds for finance to look at?

Ms. Amanda Riddell: Again, we're kind of tripping into advice to the minister here, so we have to be careful about what we say, but we are taking all of the feedback into consideration, and we'll be briefing the minister on that feedback.

Mr. Richard Cannings: I'm just trying to think where I was going with this. I've totally lost my train of thought.

I guess I'm trying to find some sort of way here where we can maybe smooth out these sharp lines that Mr. Virani was talking about, if you're on one line of a geographical boundary, because this is an issue.

I represent a riding on the border. I have never heard of this issue before. No one has ever come to me to complain. It seems the history of the Lake Erie shoreline that Mr. Baldinelli represents is very

different from where I am. I'm just trying to find out where we could change that.

What would be the process of the feedback and changing? I tried to get at this earlier. Is there a way it could just be changed in regulation, without having to come back to us?

• (1630)

Ms. Amanda Riddell: I think it depends on what specifically is being changed. The UHT Act is mostly set out in legislation, but certain of the legislative sections provide quite a wide scope for doing quite a number of things under regulation. If there were changes to be made, and if that were something the government desired to do, we would have to take a look at those specific things. If they could be accomplished by way of regulation, that would obviously be the more desirable way to go.

Mr. Richard Cannings: I just thought of what I was going to ask. Is there any double jeopardy here? If you're in B.C. and you're a foreign owner paying 2% in annual tax, now you'd have to pay 3%. Is that what they're facing?

Ms. Amanda Riddell: Do you mean if you're in one area that's subject to multiple levels of tax? Yes, they accumulate.

Mr. Richard Cannings: Okay. Thank you.

The Chair: Thank you very much.

We have two members to finish this round. I'm going to just say three minutes each, so that Mr. Carrie and Mr. Arya have an opportunity to ask some questions.

Mr. Colin Carrie (Oshawa, CPC): Thank you, Madam Chair. I have lots of questions.

Madam Riddell, you're the director. You would have been responsible for drafting this new tax, or your department would have.

Mr. Ives, your title is "expert adviser". Is that right? You would be giving advice to Madam Riddell. Is that what your role is or was?

Mr. Robert Ives: I report to Amanda. That's correct.

Mr. Colin Carrie: I was really concerned when you said that you dropped the consultation on August 6, 2021. If I were a minister, and I didn't want people to give me a response, I would drop it in the middle of the summer. On top of that, August 15 was when the Prime Minister dropped the writ for the election, so probably a lot of people didn't pay attention to it.

I don't know how many followers you have, but we're talking about friends and neighbours. A lot of them have been coming to Canada for many, many years, and I don't think they were aware of it, but they are now. Out of these 41 submissions that you got, are they totally public? Can we get a copy of them?

Ms. Amanda Riddell: I'll take that. No, the submissions are not public. The submissions are given to us. We would need to request an ATIP, for example, and we would have to request the permission of the—

Mr. Colin Carrie: “No” is okay; I have only three minutes.

Mr. Ives, you're the expert adviser. Who did you reach out to for expert advice on this new taxation? Has the minister even talked to you guys about maybe coming up with a fix for this? Have you been given direction for that?

Ms. Amanda Riddell: Again, we're getting into advice for the minister. We are in—

Mr. Colin Carrie: I don't want the advice. Has she asked you to see if you can fix this thing?

Ms. Amanda Riddell: That's between us and the minister. I'm sorry.

Mr. Colin Carrie: Oh, it is. Okay.

Mr. Ives, who did you reach out to proactively to get expert advice to give to Madam Riddell?

Mr. Robert Ives: The consultation was laid out as an open consultation. Any interested party could make a submission.

Mr. Colin Carrie: Who did you reach out to? Did you reach out to anyone?

Mr. Robert Ives: That was not the form of consultation that the government decided to proceed with.

Mr. Colin Carrie: The government went, “This is just what we're doing, and you guys can—”

Mr. Robert Ives: It was announced in budget 2021 that a consultation would be forthcoming, and that consultation took place between the dates of August 6 and September 16, I believe.

Mr. Colin Carrie: Were there any changes to the original proposal based on the advice that Mr. Ives was able to come up with to give you improvements based on those consultations, Madam Riddell?

Ms. Amanda Riddell: I'm sorry; can you clarify the question?

Mr. Colin Carrie: You had an initial proposal. It went out for consultation. You got feedback. Did you change the initial version after you got the feedback?

Ms. Amanda Riddell: Yes, the feedback did generate some changes.

The Chair: Thank you.

Mr. Colin Carrie: Are we able to get a copy of the original and the fixed one?

Ms. Amanda Riddell: We're certainly happy to provide you a copy of the consultation backgrounder as well as the final—

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

We'll go to Mr. Arya for three minutes, please.

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

Mr. Allen, when Representative Higgins was at the committee meeting last time, he mentioned that he had returned to the United States trade representative and that the trade representative had raised this issue with the Canadian minister. When I specifically asked him the opinion of the USTR and if they agreed that this UHT is in violation of CUSMA, there was no clear answer. What do you say to that?

• (1635)

Mr. Mark Allen: As I said, it has been raised by the administration's conveying Congressman Higgins' concerns to members of the Canadian government at various levels, but so far it has not been raised by the administration as a CUSMA matter.

Mr. Chandra Arya: If it was a violation of CUSMA, probably we would have heard it by now. Is that correct?

Mr. Mark Allen: I don't want to speculate about U.S. administration intentions, but they haven't raised it.

Mr. Chandra Arya: Ms. Riddell, foreign nationals don't have to file any tax returns unless they earn income while in Canada. For the foreign owners of the properties that become applicable under the UHT, is this the only time, for this purpose, that they have to file their taxes. Is this correct?

Ms. Amanda Riddell: Yes, but they're not filing an income tax return. They're filing the UHT return only.

Mr. Chandra Arya: The UHT return basically..... It's a part of a tax return.

Mr. Robert Ives: If I may make a clarification, if the foreign-owned property is generating income, obviously they'll be filing a T1.

Mr. Chandra Arya: Yes, I understand.

If we assume that none of them were exempt from that 28-day stay rule, how many properties across Canada will fall under this?

Ms. Amanda Riddell: I'm trying to look for the exact number.

Mr. Chandra Arya: Approximately....

Mr. Robert Ives: I can take the question.

Ms. Amanda Riddell: Yes.

Mr. Robert Ives: The revenue projection for the UHT is based on approximately 30,000 to 35,000 properties being subject to the tax.

Mr. Chandra Arya: That's subject to the tax. You've also estimated that part of them will get exempted under this 28-day stay rule. Is that correct?

Mr. Robert Ives: The UHT revenue projections are based on a total of 3% of the Canadian residential property world being owned by owners who are subject to this tax. The tax would apply to approximately 10% of that 3%.

The Chair: I'm sorry, Mr. Arya. Time is up.

To the witnesses, thank you for appearing today. I think you have supplied us with some very valuable information. Thank you very much.

We will suspend for a minute in order for our other panel to come on.

• (1635) _____ (Pause) _____

• (1640)

The Chair: We're back.

We have with us, as individuals, Mr. Robert Ketteman, homeowner; Mayor Wayne Redekop from the town of Fort Erie; and Laurie Wright, homeowner.

Mr. Ketteman, we're having problems. Apparently we can hear you but not see you. I will turn the floor over to you for five minutes, please.

Mr. Robert Ketteman (Homeowner, As an Individual): That's perfect. Thank you.

Can you hear me now?

The Chair: Yes, we can. Please go ahead.

Mr. Robert Ketteman: Good afternoon, everybody. My name is Rob Ketteman.

Thank you for allowing me to address the committee on the subject of the underused housing tax.

I'm an American whose family has owned a cottage in Crystal Beach, near Fort Erie, Ontario, since 1913. Fort Erie is located directly across the Niagara River from Buffalo, New York. The identity of these two communities has been defined by the extensive populations of families who have deep roots on both sides of the border—so deep in fact, that the bike trail that runs 20 miles from Port Colborne, Ontario to the Peace Bridge border crossing is called the Friendship Trail. “Friendship” refers to the relationship between our two countries.

My wife, Gloria, and I still own one of the cottages that were purchased by my great-great-grandmother in 1927. We live in our cottage for about four months during the summer and use it extensively on weekends throughout the year. My family has been an integral part of the Crystal Beach community for six generations. Each time the cottage has been transferred to the next generation, we have paid a significant capital gains tax to the CRA, and we continue to contribute tens of thousands of dollars every year to the local economy.

Despite this, we have now become a target of the underused housing tax, which has been publicly touted as designed to “take steps to ensure that foreign, non-residents, who simply use Canada as a place to passively store their wealth and housing, pay their fair share.”

Minister of Finance Chrystia Freeland said, “We will prevent foreign buyers from parking their money in Canada by buying up homes. We will make sure that houses are being used as homes, rather than as commodities to be traded.”

Certainly, we support the Canadian government's efforts to address the problem of foreign investors exploiting the Canadian real estate market exclusively for financial gain. However, this legislation is carelessly and unfairly including American cottage owners like us, who actively use their properties and were not cited as the reason for this new law. Honestly, this feels discriminatory, punitive and abusive. Our cottage is a home for us. It's arguably more of a

home to my family than any home we've ever owned in the U.S. Applying this tax to us is not in the spirit of the relationship that our two countries have enjoyed for well over a century.

The problem is the exemptions. They're short-sighted and inequitable. They offer an exemption only for a portion of property owners, who should not even be subject to this tax in the first place. More specifically, vacation properties that are located in certain postal codes that have a higher population density than others are not exempt from paying this tax. Whether the property is located in a certain postal code has no bearing on how the owner actually uses their residence.

Why should we be required to pay this tax, when we actively stay on our property for 120 days each year, while someone whose property is not used nearly as much but is located two miles in a different postal code is exempt? Honestly, this sounds absurd.

Further, the house immediately next door to me is owned by a Canadian couple who live in Niagara Falls, Ontario, which is just 15 miles away. They rarely stay there. They have openly told me that they own the property only because they view it as investment that will increase in value. That's a true example of property that is underused and not lived in.

With regard to Crystal Beach, any reasonable person would not consider it as urban, despite the population density in this tiny area of only 4.4 square miles. Certainly, the property values have increased substantially here over the past few years, especially during COVID. This has been almost entirely driven by Canadian buyers from the greater Toronto area who have migrated, speculated and become absentee Airbnb landlords. The situation has not been caused by American cottage owners who have been here for many years.

We have submitted the required UHT tax form and claimed the exemption that our property is not suitable as a year-round residence. However, there's no clear definition of what this means or of the specific requirements. While our house has heat, there's no basement. There's just a crawl space over sand, where much of the plumbing is exposed to freezing temperatures, so we must shut off the water for parts of the winter. We are hopeful that this will not be scrutinized and rejected.

Being forced to pay this tax would significantly increase the cost of owning our Canadian property. In fact, the next property assessment is completed. Our annual costs will nearly triple, which will likely force us to make the heartbreaking decision to sell something that has been a central part of my family's life for over a century. It will simply become unaffordable to keep. My story is just one of hundreds in the Fort Erie area and, I would guess, thousands across Canada.

If the law does in fact continue as it is, this will be a very sad chapter in the history of this town and of our two great countries. It's likely a final chapter for many Americans, who would reluctantly choose to sell and never set foot in Canada again.

• (1645)

In closing, we are thankful that the committee is taking action to reconsider the impacts of this tax on border communities, and hopeful that your efforts will result in either repealing this tax on Americans, or fixing the issues that are unfairly impacting Americans who are not supposed to be the intended target. Finally, somebody is listening.

Thank you for your consideration.

The Chair: Thank you very much, Mr. Kettman, for your comments.

We go now to Mayor Redekop, please, for up to five minutes.

Mr. Wayne Redekop (Mayor, The Corporation of the Town of Fort Erie, As an Individual): Thank you very much.

My name is Wayne H. Redekop, I'm the mayor of the Town of Fort Erie, and have been for nearly 18 of the past 25 years. I grew up in Fort Erie and have lived there for my entire life, with the exception of when I pursued my education. I'm a lawyer by profession and practised law for nearly 46 years. One of my summer jobs for four years as a student was as a customs officer at the Peace Bridge, which connects Fort Erie with Buffalo, New York. I served with the board of trustees of D'Youville College—now a university—in Buffalo, New York, between 2007 and 2015, the last two years as chairman of the board. I'm very familiar with my community and the dynamic of the Canada-United States border as it relates to people and trade.

One of my grandmothers was born in the United States, in Buffalo, New York. I can trace my ancestry through my American relatives back to the *Mayflower*. As a youth, I visited family living in western New York and associated with many Americans who spent summers with their families in Fort Erie as seasonal residents. The development of friendships and relationships continues to be the reality in what can best be described as our binational region. In fact, it is typical for many who grew up in south Niagara and western New York to have family and friends on both sides of the international border.

On February 21, 2023, I corresponded with Minister Chrystia Freeland on the underused housing tax. I did so because there are approximately 900 properties in Fort Erie that are owned by United States residents or citizens; that number constitutes about 6% of the housing stock in Fort Erie. The vast majority of those properties have been used and owned by families, some for multiple generations, as Mr. Kettman has indicated. Some are cottages in the familiar sense; others are large homes located on Lake Erie, and all are typically used by the owners and their families as seasonal residences.

The underused housing tax is causing great anxiety, anger, disappointment and uncertainty among Fort Erie's American seasonal residents. These are individuals who are not only good friends and relatives in many cases, but also participants and supporters of local

programs, activities and events. They're important customers of our local businesses. They are a vital element to the richness of life in our community. The fluidity of frequent travellers across the border between Niagara and western New York is a testament to the closeness of relationships between the people of our two countries—the greatest friends, allies and trading partners in the world. They are the living symbols of that relationship.

I understand the purpose of the tax was to prevent offshore investors from acquiring Canadian residences and taking them off the market for those in need of permanent housing. We all recognize the need for more housing units as the population of our country grows. As the tax relates to our American seasonal residents, though, it misses the mark. These seasonal residences have never been part of the community's permanent housing market and were not acquired for investment purposes. They're not owned by individuals or corporations that have no other connection to our community or expect to capitalize on the stressed housing market. They're owned by families that are considered to be part of our community in every sense.

In truth, the acquisition of housing units in Fort Erie by others who do not live in our municipality—although based in Canada—used for short-term rental purposes represents a greater challenge affecting the need for housing in our community. Perversely, the underused housing tax advantages those investors and could result in more opportunities for them to invest in property in Fort Erie and elsewhere as our American friends and relatives decide they cannot afford the new tax and choose to sell their properties, which would be incredibly unfortunate. At the expense of inadvertently punishing individuals and families who have been part of the life in our community for generations, the Government of Canada would benefit Canadian-based investors with no interest in our community other than the business opportunity. There could not be a worse result; it is a true example of an unintended consequence.

The exemptions provided for in the legislation are inadequate to provide relief for most of the Fort Erie American seasonal residents who own their own homes. Fort Erie, a municipality of 33,000 people, is part of the St. Catharines-Niagara census metropolitan area. The municipality is a mix of urban and rural areas containing several population centres that align with our urban boundaries. My understanding of the new legislation is that it provides that the seasonal homes within the urban boundaries of Fort Erie are subject to the underused housing tax, whereas those that are located outside our urban boundaries are not. That in itself highlights the unfairness regarding the tax.

I would suggest one solution to rectify this problem would be to change the exemption provision so that regardless of whether the property is inside or outside the urban boundary, the property is exempt if the owner or his or her spouse occupies the property for at least three months of the year.

- (1650)

The tax would then capture anyone who has acquired a house for investment or commercial purposes, while providing relief to those who use a house as a seasonal family residence. It would also defuse the simmering anger of our American neighbours, who will bear the brunt of this tax and the reporting mechanism contained in the legislation.

Many of our seasonal residents continue to have little, if any, knowledge of the reporting requirement of the tax and will be subject to extraordinary penalties for simply owning property that the federal government has classified for special taxation. Unless the federal government intends to reach out to all property owners affected by the underused housing tax, the Town of Fort Erie is willing to assist it to notify these property owners of any filing requirement or changes to the legislation and regulations.

This is an extremely important matter, not only for our seasonal residents, but also for our community.

Thank you for providing me the opportunity to address you today, and for your consideration of changes to the exemption provisions in the legislation and the need to provide clear, concise and timely information to the affected property owners.

Thank you.

- (1655)

The Chair: Thank you very much, Mayor Redekop.

We'll go on to Ms. Wright for up to five minutes, please.

Ms. Laurie Wright (Homeowner, As an Individual): My name is Laurie Wright, and my husband Doug and I are American homeowners here in Canada. We own a single-family property along the southern shore of Ontario in Point Abino. Our home is just one of two other family properties that date back to when my family purchased here in 1905. The original farmhouse still stands on the lakefront, along with a barn and an old ice house.

I grew up spending every summer here in Canada. As a child, I didn't even realize that Canada was a different country. That's how close our border is to my hometown of Buffalo, New York.

We have three children, and my family also spends every summer here and considers our Canadian cottage our home. We support local businesses and tradesmen who work on our homes, and we eat in the local restaurants and support the local markets and farmers. I strongly believe in supporting these local businesses.

We spend almost 160 days here, from mid-May to mid-October, and now we winter in Florida. My husband and I planned our retirement to be both in Florida and here in Canada. This is why it's so upsetting that this 1% underused housing tax has been imposed on Americans in this border town. It is affecting many of my friends and family along the shoreline, and last summer we read that there was this huge housing shortage all over Canada. We understand what a large problem that is to solve.

When we were learning more and more about this new tax on foreign homeowners, we really didn't think that the intention was to tax American cottage owners along this region. It seems that there are many foreign investors who come in and buy a property that

they just use to invest money here in Canada, and mostly that's in larger cities like Toronto and Vancouver. We're not those people. We consider it a privilege to spend our summers here.

As last summer went on, we learned that the law had been passed, but the details had not yet been figured out. As we learned more about this legislation, it was really kind of confusing. We had so many questions, like: How do we know if we even qualify for this? Will they send us a tax bill? There were so many vague directions and no clear answers. It was unclear how many of us summer residents this tax would affect.

As the year rolled out, we knew that we had to do something quickly to get our tax ID numbers, as rumour had it that it would be weeks before we would even receive a tax ID number.

To add to our confusion, we found out that our neighbours just across the street from us do not have to pay the 1% UHT, as they are considered rural. They live about 450 metres from my driveway, and if I understand it correctly, the qualifications are being based on the CMA census tract of St. Catharines. The homes across the street are considered rural, but my side of the street is not rural. The boundaries just didn't make any sense. I've attached a map that I think the clerk gave to the committee for reference.

I'd like to go back to our history, though, here along this shoreline, and my friendships with many Canadians that have been fostered for many years. Being from a border town like Buffalo, New York, we have Canadians who travel to our region in Ellicottville to ski and then go down to Florida in the winter as snowbirds, like my husband and me.

We see many Ontario plates all over the United States, and we see many of our Canadian friends in Florida over the winter, when they are residing in their winter residences. It's nice to have dinner with them or play a game of golf while they are in Florida, and I think our friendships really go beyond our borders.

We love our Canadian home. We consider it just that, our home, not our financial investment. We want to continue our plan of being retired here, supporting the local community and watching our children and grandchildren carry on that tradition of spending summers along the shores of Lake Erie.

The 1% UHT is not friendly to the Americans who live along this region. It's an ugly can of worms that is just not friendly at all. We hope that you understand how negatively this affects us.

Thank you to the members of Parliament, especially Tony Baldinelli, and the House of Commons for taking the time this afternoon to hear our frustrations with this tax and your consideration to fix it.

Thank you.

• (1700)

The Chair: Thank you very much, Ms. Wright. We're very happy to have you living in Canada as well.

We'll go to Mr. Baldinelli. If we're going to try to get a full first round, how about we do five minutes rather than six, to try to give everybody an opportunity in the first round?

Mr. Baldinelli, you have five minutes, please.

Mr. Tony Baldinelli: Thank you, Madam Chair.

Thank you, Mayor Redekop and Mr. Ketteman and Ms. Wright, for attending this afternoon and sharing your stories.

I'm going to go first to Mayor Redekop.

It was interesting. We had finance officials here earlier. They started the consultation process in August 2021, essentially right before our federal election campaign, which was called on August 15.

Were your office or your staff aware of the consultation process that was being undertaken by the federal government on the UHT?

Mr. Wayne Redekop: I'm going to say I had some knowledge. I'm not going to say we were provided direct notification from the government. In the world I live in, we have to keep eye on these things, so we had some understanding that this was being contemplated. I actually discounted it. I really didn't think it would come to the American seasonal residences being taxed in this fashion.

I was aware of it, but certainly not officially.

Mr. Tony Baldinelli: We've spoken to Representative Higgins. He said his office had been contacted by about 400 residents or constituents.

How has your office dealt with the calls? Have you received many in that regard?

Mr. Wayne Redekop: We've received many, and we've taken the position that we will support changes to this tax as it relates to our American seasonal residents. As I said, we have 900 properties in Fort Erie that are owned by Americans. They're part of our community, so they pay taxes. They pay the property taxes just like everyone else, based on the value of their homes. Some of these homes are very valuable homes. They're valuable, of course, to the families, but in terms of taxation, they carry a heavy tax burden. They provide us with some of the taxes that we rely upon, but, more importantly, they're part of our community. As Ms. Wright mentioned, they support our local businesses. They participate in our festivals. They go to our library. They're patrons of many of the social activities that go on in our community, so we consider them to be, as I said, part of our community in every sense of the word.

We've provided them with the support. As I said, I've corresponded with the minister. I've had numerous conversations with both you and Mr. Vance Badawey, who's in the next riding on Lake

Erie. Any support we can provide, we've been prepared to do that, including assisting the government in notifying our seasonal residents at any time of any information they would need.

Mr. Tony Baldinelli: Thank you for that. I just have limited time.

I want to ask Mr. Ketteman and Ms. Wright a question. We spoke to finance officials. Essentially, they came up with the policy idea, and the implementation was left to CRA.

Mr. Ketteman, you were the first person who actually wrote to me, in February 2022, with regard to your concerns, and I immediately wrote to the minister's office in March of that year as well. Since that time, we're still looking for clarification and some answers to the questions.

I'm just wondering, for both of you, how it has been, trying to deal with CRA to get some answers.

Ms. Laurie Wright: Rob, go ahead first.

Mr. Robert Ketteman: I have written countless emails to elected officials, all the way up to Prime Minister Trudeau, Finance Minister Chrystia Freeland, and others who I've been told would have a play in this, including the CRA. In most cases I didn't even receive the courtesy of a reply. In some cases there was an autogenerated reply, "We've received your email, thank you," and whatever the rest of the language was.

Honestly, Tony, it's been extremely frustrating just to be heard, and, as I said in my statement, I'm so grateful. I can attest for everyone in this community, and Laurie and I know very many people in this community who are thankful you've taken the initiative to work on this.

• (1705)

Mr. Tony Baldinelli: Ms. Wright.

Ms. Laurie Wright: Last summer I, too, wrote emails to Prime Minister Trudeau and the Minister of Finance. There was so much confusion as to how this tax was going to be executed, and then I kind of gave up, because it was so frustrating. I received automated email responses, but nobody really helped us.

Richard Halinda is a local barrister here whom we used, and he gave us some advice, but it's been very confusing.

The Chair: Thank you, Ms. Wright.

Mr. Virani, you have five minutes, please.

Mr. Arif Virani: Thank you, Madam Chair.

I appreciate the witnesses for coming forward.

I'm just going to make a couple of observations. I'm sensing some frustration from both Ms. Wright and Mr. Ketteman with respect to a perceived lack of responsiveness on the part of Canadian representatives.

I would, with the utmost of respect, just point out that the operation of representative democracy is no different in Canada from in the United States. What I mean by that is that the responsibility of elected representatives such as me, the Prime Minister or the Minister of Finance is to respond to the concerns of people who elected them in their ridings, or people who are in Canada. I think that's the way it operates in the United States, as it operates here. That is as it should be. That's who we're accountable to.

I want to now turn to a question for Mayor Redekop.

I want to make sure that I heard you correctly in saying that you were aware of the consultations taking place, but you chose not to participate in them. Is that what you said during questioning by Mr. Baldinelli?

Mr. Wayne Redekop: I was given no formal notification. I had heard that this was being contemplated by the government.

Mr. Arif Virani: Did you learn that through the announcement in the campaign platform or the announcement in the budget? How did you hear about the consultations?

Mr. Wayne Redekop: I probably read something in a newspaper or something of that nature. It was certainly nothing of a formal nature.

Mr. Arif Virani: Okay.

Mr. Wayne Redekop: By the way, I corresponded with Minister Freeland on February 21, 2023. I haven't received a response. I do live in Canada.

Mr. Arif Virani: That's important, Mayor Redekop. That's something that should be responded to. There's no disputing that component.

I also heard you say, Mayor Redekop—I think you said this and I think some of the other witnesses said it—that, obviously, housing shortages are an issue. You also suggested that your remedy would simply be a usage phenomenon. If I understood you correctly, you said that there shouldn't be a rural/urban divide in the way this policy is implemented. It should just be that 90 days of usage means you're exempt. Is that what you said earlier to the committee?

Mr. Wayne Redekop: Yes, and that was based on the fact that the way it stands right now, as Ms. Wright has mentioned, there are American seasonal owners who, if they live within the urban boundary, are subject to the tax. If they live outside the urban boundary, and we have large areas that are outside our urban boundaries, they're not subject to the tax.

All of these American seasonal residents spend three months or four months, weekends during the off-season and during holidays here. If you were to utilize a time frame—three months is what I suggested—you're likely going to cover all of the American seasonal residents who are committed to utilizing their properties for their family use. Then you're going to eliminate anyone who's utilizing the property solely for investment purposes.

Mr. Arif Virani: Mayor Redekop, if I could just continue with it, though, the extrapolation of what you're saying is that if it's based purely on usage and not on a rural/urban divide, then a person who lives in whatever country, whether it's the United States or Austria, for that matter, who has a condominium in downtown Toronto, downtown Vancouver, downtown Calgary or downtown

Montreal and uses it for 90 days out of 365 would be exempted from this tax. Is that your proposal?

Mr. Wayne Redekop: I'm concerned about Fort Erie, but if you're talking about people who are taking property out of the housing market, you have to have some parameter. The example that I used was the American seasonal residents who are occupying the property. They're contributing to our community, as opposed to the investors, who are utilizing their properties for short-term rentals, a clearly commercial purpose within a residential area. They're not part of our community and, in fact, they create more difficulties, sometimes, than they resolve. They are definitely taking houses out of the existing housing market for investment purposes, whereas, for these American seasonal residents, these homes have never really been part of our housing market, strictly speaking, for people who live here, because they've been utilized as seasonal residences by our American neighbours.

• (1710)

Mr. Arif Virani: I appreciate that you're talking about Fort Erie, but we're trying to craft policy and perfect policy for the entire nation. I didn't really hear an answer to the question.

It seems to me that when you talk about a straight usage criterion of 90 days to apply around the country, it would do exactly that. It would exempt a downtown Toronto condominium that's used 90 days of the year from any sort of unused housing tax. That's, in fact, exactly what this tax is trying to address, something that is unused and is depriving people in the city I represent. I'll stand up now for the city I represent, which is Toronto. I'm an MP from Toronto, which is suffering an acute housing shortage.

Mr. Wayne Redekop: Well, I don't know what the situation is in Toronto, but if you have someone occupying the property for 90 days, then that means there are at least 90 days when they're utilizing it. What are they doing for the rest of the period of time? I don't know that.

The Chair: Thank you very much.

We'll go on to Mr. Savard-Tremblay for five minutes.

[Translation]

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

What is the vacancy rate in your area, Mr. Redekop?

[English]

Mr. Wayne Redekop: There's virtually no vacancy rate. We have a shortage of housing. We're approving the construction of new housing as quickly as possible. We've had record housing starts in the last seven or eight years, and we're still finding that we have a need for more housing—affordable housing in particular.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: Vacancy usually refers to properties that are vacant.

Do you have any statistics on the percentage of American-owned residences in your area being used for short-term rentals?

[English]

Mr. Wayne Redekop: We have, as I said, about 900 properties that are designated as being owned by American residents or citizens. We also have 250 properties that are licensed for short-term rentals, and a waiting list of about 100. Those are properties, typically, that have been taken out of the housing market and are being utilized for commercial purposes. Some of the American-owned properties may be licensed for short-term rental, but it would be a very small number.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: Do you have any way to monitor that, and make sure those properties are actually occupied, that they aren't in fact vacant, despite what it may say on paper? If so, is it done through a filing?

[English]

Mr. Wayne Redekop: We don't track the occupation of the homes owned by the Americans or the non-resident seasonal residents. We don't necessarily track the frequency of use of the short-term rental properties, but we know that they're mostly not occupied by the owners on any basis. There would be a handful that would be occupied by the owners, but most of them are commercial enterprises. I'm sorry that I can't be more precise.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: Do you know how many Americans are being unfairly subjected to the vacant housing tax?

[English]

Mr. Wayne Redekop: I could probably get that breakdown. I would simply need to go to the addresses of these properties and figure out which ones are within the urban boundary and which ones are outside the urban boundary. I would say that the majority, though, would be within the urban boundary. There would still be a healthy number outside the urban boundary, but most of them would be within the urban boundary.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: Very good.

If you could forward that information to the committee, we would appreciate it.

[English]

Mr. Wayne Redekop: For sure, I will.

[Translation]

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

The topic of exemptions has come up a lot to ensure that this tax has the least possible impact on Americans in border communities.

According to a recent article on CBC Lite, you think the exemption should be broadened to include those who spend at least three months a year at the property.

Do you still think that's adequate?

• (1715)

[English]

Mr. Wayne Redekop: I do, as long as it's a three-month period of occupation by the owner and not used for commercial purposes. I still stand by that.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: I don't have any more questions.

Thank you, Mr. Redekop.

[English]

The Chair: Thank you very much.

We'll go to Mr. Cannings for five minutes, please.

Mr. Richard Cannings: Thank you, Chair, and thank you all for being here.

I'd like to direct my questions to Mayor Redekop as well. The only connection I have to Fort Erie, I have to say, is that my father used to live there in the 1930s, working for Fleet Aircraft. Then after the Second World War, he went back to the Okanagan Valley in British Columbia, where he was born and raised, and, of course, that's why I ended up being born and raised there and not in Fort Erie.

In British Columbia in 2018, the government brought in the speculation and vacancy tax, which is very similar in some ways to this tax—at least, it has the same aims and in many ways the same mechanisms. However, it works on a much more regional basis and carves in most of the big metropolitan centres, where the housing price crisis is greatest. It leaves out a lot of the more rural areas—most of British Columbia in fact, including the south Okanagan, where I am—but it includes the central Okanagan. It takes that much more regional approach, in which there are boundaries, but I would say they're much bigger than the boundaries I've seen with regard to this, so there's less in and out.

I'm just wondering if you might comment. You talked about the exception with respect to how long someone has been a resident there, but do you think it would be possible for the government to bring in something like that on this tax? I know with federal taxes it's a little different, but would it help the situation if the federal government were to say, "Look, this is really a problem more in places like the greater Toronto area?"

Mr. Wayne Redekop: I definitely think there could be some revisions to the legislation that would cover the concern expressed by the member who represents the Toronto riding. Probably it is a greater problem in those larger cities, including, I'm sure, Vancouver.

It's a completely different dynamic along the border, as you've heard from Mr. Ketteman and Ms. Wright. It's not housing for us, because these American seasonal residences have never been part of our housing market. They're not really having an impact on the availability of housing or the affordability of housing in terms of our community. If they are in the larger centres, then definitely that's an issue that needs to be addressed, so there could perhaps be a greater focus on the size of the community or something of that nature.

I'm not crafting the legislation, but if I were to think about how to capture the real problem, I would identify where the real issue is occurring, what the extent of that problem is and how best to target that. It's like using a rifle as opposed to using a shotgun.

Mr. Richard Cannings: That's right, and I was interested to hear your comments about the housing situation in Fort Erie. It sounds very similar to the housing situation in my home town of Penticton, where we have had record housing starts over the past few years. As a city representative told me recently, every day we're building more housing than we've ever built in Penticton, and every day we have fewer units of affordable housing. That was his way of saying we need a different tactic here; we need to build truly affordable housing. Is the situation similar in Fort Erie?

Mr. Wayne Redekop: It is, and I guess I would say that there is a connection here between these properties that are owned by the Americans, because if they go on the market and if they're purchased by Canadians for investment purposes, that in itself has an impact on the pricing, because investors will pay more for a house than a person who's going to live in it as their residence will. If you're living in it as your residence, you're not thinking about your return on your investment, whereas an investor is.

We've seen that dynamic occur here, particularly with respect to the short-term rentals, so we're having problems here that are similar to what you're experiencing in Penticton. The big challenge for us is how we manage all of this.

• (1720)

Mr. Richard Cannings: I'll just comment that one of the big differences between the British Columbia speculation and vacancy tax and the federal unused housing tax is that they apply to both Canadians and foreign owners in British Columbia.

I'll leave it there.

The Chair: Thank you very much. This ends round one.

We have 10 minutes remaining. I could go on to the next two people we have in round two, if the committee wants to continue.

Yes.

Mr. Tony Baldinelli: Madam Chair, would you indulge me for some discussions on future meetings at the end of this?

The Chair: Well, there are 10 minutes remaining in our schedule, so I could before we go into round two. Otherwise I'm going into the first two speakers on round two. That will bring us to 5:30, and that will be the end of the meeting.

Mr. Tony Baldinelli: Well, Madam Chair, perhaps we could thank our witnesses for attending, and then I'd like to discuss the possibility of calling another meeting to discuss inviting CRA officials.

The Chair: Okay.

To our witnesses, thank you very much. We very much appreciate your taking time out of your own busy schedules and sharing your concerns. We heard them all very clearly, so thank you very much.

We will disconnect now and go on to our other business.

Mr. Baldinelli, go ahead.

Mr. Tony Baldinelli: Thank you, Madam Chair.

Thank you to my colleagues, first of all, for agreeing to hold the two sessions with regard to the UH Tax Act and its impact on border communities.

I am hopeful—based on some of the commentary we've heard, including today from finance officials, who crafted the policy but who are not responsible for its implementation, and the example from Mr. Kettman—but I wrote to the minister a year ago, and we're still working on trying to get clarification for a number of residents with regard to the impact as well as any potential changes if they could be made.

I am hoping we can have at least one more session, to which we could invite officials from CRA to come forward to discuss the UHT and its implementation, and how they are working with residents.

I am disappointed at not having had another chance to talk to Mr. Allen from Global Affairs, because I would have asked whether the government is aware of how many snowbirds live in the United States—there are 500,000 in Florida alone—and what the impact is.

Mr. Higgins discussed the notion that he doesn't want this to be a race to the bottom, and I agree with him, but if we're going to move forward and we're going to be taxing 900 residents in Fort Erie alone, I think Mr. Higgins is going to have some concerns with that. What will the impact be on Canadians who reside in the United States?

I didn't get a chance to ask Mr. Allen that question. To me, it is more than just a minor concern; it's something that I think deserves at least one more hearing.

I am hopeful that my colleagues here would agree to that.

The Chair: I have Ms. Gladu, Mr. Arya, Mr. Carrie and Mr. Cannings, so we will have to move it along.

Ms. Marilyn Gladu: Very good. Thank you, Chair.

I would support having CRA come in, because I have some questions, for example, about how they are going to verify the 28-day residency. Are they going to use CBSA information? Is that another resource that's needed?

They said that 35,000 folks would be affected by the tax, but that wasn't really how many people would have to file and just say that they were exempt, so that's a huge burden of work for CRA.

I'd be interested in hearing from CRA, because we also don't know whether there is a mechanism for dispute, if people think they deserve an exemption, such as the person who has a neighbour right next door who doesn't have to pay whereas she does.

Mr. Arif Virani: On a point of order, Madam Chair, we're discussing committee business, and that's usually done in camera, so can we switch to in camera?

The Chair: By the time we went in camera, the meeting would be over. There is five minutes remaining and if we went in camera, by the time they did all the technical stuff, that would be the end of the meeting.

We can have this discussion at another time, at the beginning of our meeting on Monday.

I have Mr. Sheehan, Mr. Arya, Mr. Carrie and Mr. Cannings, who all want to comment on this. We're in a public session and we should be doing committee business in a private session.

I am going to go in camera because that's how we're supposed to do committee business. We'll go in camera, but I don't know how much time that's going to take. It's going to take a couple of minutes.

• (1725)

Mr. Tony Baldinelli: We can do this on Monday, if you want. We can have this discussion then.

The Chair: My suggestion is that we set aside 10 or 15 minutes for this discussion at the beginning of Monday's meeting, which is on softwood lumber. Is that all right?

Mr. Tony Baldinelli: Yes, that works, Madam Chair.

The Chair: Ms. Gladu, I'm sorry. I cut you off, I think.

Ms. Marilyn Gladu: It's okay. I move that we adjourn.

The Chair: Okay.

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