



**Canadian  
Federation of  
Apartment  
Associations**

**Fédération  
Canadienne Des  
Associations  
De Propriétaires  
Immobiliers**



September 2008

# 2008 Election Bulletin

For election updates,  
see CFAA's website,  
[www.cfaa-fcapi.org](http://www.cfaa-fcapi.org)

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## What action can landlords take in the federal election?

Canadian voters are to decide on our next federal government on Tuesday, October 14. As a landlord, it is in your interest to make contact with your preferred local candidate now, before the election. The successful candidate will remember the positive impression that you made before the election when you ask for their support once they are elected. Here are some suggestions for making a positive impression that will pay off later:

1. Find out where the local candidates stand on the federal issues that affect our industry, namely: the income tax treatment of rental property; and the use of housing allowances, rather than subsidizing the building of new "affordable" housing
2. Make personal contact with the candidate you prefer to offer your support
3. Offer information about the federal issues that affect our industry

*(Continued on page 2)*

## How does the federal government affect landlords?

Some rental housing providers ask how the federal government affects them. Landlords know that rental rules and housing programs are largely within provincial jurisdiction. In fact, significant housing issues have even been downloaded to the municipalities in several provinces.

However, most provincial and municipal housing programs are funded in whole or in part by the federal government. What the federal government provides money for is largely what provinces and cities spend money on. For many years the thrust of both federal and provincial housing programs has been to build social housing. Some of you may see tenants routinely move from your rental buildings to new social housing buildings.

Across Canada, the federal government spends \$2 billion per year supporting social housing. Most tenants in social housing get a deep subsidy, often \$300, \$400 or \$500 per month.

Very little federal money is spent on housing support for tenants in the private market, even though many tenants in private rental housing have incomes just as low as those in social housing. In fact, most tenants on social assistance live in private rental homes, not in social housing. In all

provinces except Quebec most low-income tenants receive no housing funding to pay their rent in the private rental market. They struggle to pay their rent, and you often get your rent late, if you get it at all.

Federal housing programs shape the support your low-income tenants get, or in most cases, don't get. Federal housing programs can draw tenants out of the private market, or support tenants in the private market. See page 2 for the parties' positions on housing policy.

### What about taxes?

Every April (or four times a year if you pay instalments), you get to pay taxes. The federal government raises about \$3 billion per year in income and capital gains taxes from rental housing owners like you. The Provinces raise another \$2 billion per year in income and capital gains taxes, largely based on the federal tax rules.

The federal tax rules determine

- that 50% of any capital gain on rental property is included in your income for tax purposes

*(Continued on page 3)*

**CFAA thanks our  
2008-2009 Allied  
Members:**

**Gold** Yardi  
Rogers  
Bell Canada

**Silver** My Ideal Home  
Network  
TD - Canada Trust  
Telus

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For election updates, see CFAA's website at [www.cfaa-fcapi.org](http://www.cfaa-fcapi.org)

# The federal political parties' positions on housing policy

## CFAA's position on housing policy

On housing policy, the CFAA promotes greater use of portable housing allowances rather than subsidies for new social housing. CFAA recognizes that there is an important place for social housing in the form of supportive housing and special needs housing; however, CFAA believes that housing affordability issues are best addressed through housing allowances paid to tenants (or rent supplements), which allow low-income tenants choice in housing, and achieve income mixing at no cost to taxpayers. CFAA also supports increased social assistance for low-income tenants. See [www.cfaa-fcapi.org/goals.html](http://www.cfaa-fcapi.org/goals.html) for details of CFAA's housing policy.

### A note about sources

At the date of writing, some of the parties' election platforms have not been released, and others do not address these issues in any detail. This Bulletin provides some information about where the parties stand on these issues, based on their past actions and current statements. The parties' past positions are each fairly consistent; and so, they should be a good indicator of what they would be inclined to do in the future. For updated information as the election campaign proceeds, see CFAA's website at [www.cfaa-fcapi.org](http://www.cfaa-fcapi.org).

### Conservative Party

The Conservatives are divided on housing issues. Some feel that housing is a provincial matter. Others feel that no assistance is needed to promote housing affordability, or that the status quo is acceptable. However, out-going Housing Minister Solberg and others agree that federal policy should allow the Provinces to choose to use federal funding for housing allowances or rent supplements. In the past, Stephen Harper has supported portable housing allowances.

### Liberal Party

The Liberals are divided on housing issues. Most feel that the current policy emphasis on social housing is the right one, especially if more money is made available. However, the Liberal Women's Caucus believes that federal policy should promote housing allowances.

Former Liberal Housing Minister Fontana wanted to allow the use of federal money for housing allowances or rent supplements, but the federal finance department officials largely blocked his reform.

### New Democratic Party

Most members of the NDP advocate spending more money on building new social housing. Some have advocated housing allowances as well. When Jack Layton was its leader, the Federation of Canadian Municipalities advocated introducing 40,000 portable housing allowances per year for 10 years, and building 20,000 new affordable housing units per year for 10 years.

Compared to the Conservatives and the Liberals, the NDP are generally in favour of helping the provinces pay higher social benefits, and that could make it easier for low-income renters to pay their rent.

### Green Party

The Green Party says that it would introduce 40,000 portable housing allowances per year for 10 years, and build 20,000 new affordable housing units per year for 10 years.

The Green Party would also replace welfare, employment insurance and government disability allowances with "Guaranteed Liveable Income supplements" in an effort to eliminate poverty. The Green Party promises to increase welfare payments by \$5,000 per person per year, and increase the GIS for seniors by 25% as interim steps toward their goal of a Guaranteed Liveable Income.

## What action can landlords take in the federal election? (Cont'd from p.1)

4. Donate money to the campaign
5. Host a fundraiser with a focus on the rental housing industry (invite your local colleagues)
6. Lend equipment or space to the campaign
7. Volunteer for canvassing
8. Offer to put up signs at your properties, and encourage other landlords to do the same (that is a huge benefit for the candidates and provides low cost "returns" for you)
9. Volunteer to help out on election day – help voters get to the polls or be a scrutineer.

## How does the federal government affect landlords? (Cont'd from p.1)

- that inflationary increases in value are taxed just like real increases in value
- that landlords are not active businesses, and thus cannot use the (reduced) small business tax rate
- that your CCA claim is much lower than it was before
- that you have to pay GST on your expenses
- that tenants don't pay GST on their rents

Landlord groups and realtors are trying to obtain changes in the tax laws, but tax reforms are hard to obtain because the officials in the federal Finance Department want to maintain the government's revenue base.

See below for the parties' positions on tax policy. See [www.cfaa-fcapi.org](http://www.cfaa-fcapi.org) for more details on CFAA's policies.

## The federal political parties' positions on tax policy

### CFAA's position on tax policy

CFAA points to the many income tax changes that took place between 1972 and 1995 which made investment in rental property less attractive. Those changes included the taxation of capital gains, eliminating pooling for real estate, lowering CCA rates, restricting "soft costs", retroactive elimination of MURB (multi-unit residential building) rules and the imposition of the GST. CFAA seeks to roll back some of those tax changes starting with obtaining a tax deferral when a rental property is sold but replaced by reinvestment in another rental property.

CFAA also favours a lower GST, and reforms in how GST is applied to rental housing construction.

#### Conservative Party

In principle, the Conservatives are in favour of lower taxes. They reduced the GST from 7% to 5% in two steps.

In their 2006 campaign they promised to defer tax on sale and reinvestment in real property. Despite fulfilling most of their other promises, they did not fulfill that one. However, they say that they want to allow tax deferral on sale and reinvestment as soon as the "fiscal and economic situation allows".

The Progressive Conservative government of Brian Mulroney did allow tax-free capital gains up to a limit.

#### New Democratic Party

The federal NDP are generally in favour of higher taxes on well-off people, and on investment income and capital gains, in order to fund social programs. They have supported tax deferral for reinvestment in low-rent property, but not for reinvestment in rental property generally.

The NDP opposed the reduction of the GST, advocating instead lower income taxes for low-income Canadians and better funding for social programs.

#### Liberal Party

The Liberals implemented many of the tax increases that have worsened the situation of landlords over the last 35 years. In order to fight the deficit the Mulroney government left behind, the Liberals rolled back the tax relief that government provided. However, some Liberals say they are in favour of a tax deferral on sale and reinvestment in real property.

The Liberals originally introduced the GST (to replace the manufacturers sales tax), and they opposed the reduction of the GST.

#### Green Party

The Green Party's driving principles for economic policy are to "get the prices right" by removing market distortions that affect the environment, and to use the tax system to help meet societal and ecological goals. This suggests the Greens might favour increased government control. However, they state that they want to allow business to pursue profit.

## The federal political parties' positions on energy policy

### CFAA's position on energy policy

CFAA supports some measures to reduce energy consumption, such as sub-metering and energy upgrades in buildings. However, CFAA is concerned about measures that seek to raise the price of energy (or water) since those measures tend to increase the cost of providing rental housing.

#### Conservative Party

The Conservatives want to reduce pollution, but they are opposed to a carbon tax because of the negative effect they say it would have on the economy.

#### Liberal Party

The Liberal Party is calling for a carbon tax, in effect dramatic increases in taxes on energy, and for offsetting tax reductions on incomes, as well as increased social benefits for low-income Canadians.

#### New Democratic Party

The NDP is opposed to a "flat tax" carbon tax, pointing to the fact that low-income people pay a higher share of their income for fuel and home heating than better off Canadians.

#### Green Party

The Green Party wants to introduce a carbon tax, and to eliminate discounted energy rates for large utility users. They say they would use the revenue to reduce income taxes and payroll taxes (like EI and CPP), and to increase social benefits for low-income Canadians.



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This is a special CFAA Election Bulletin.

### See CFAA's website for election updates.

CFAA's regular National Outlook is published by the 15th of:

- February
- May
- August
- November

You can view National Outlook at:  
[www.cfaa-fcapi.org/newsletter.html](http://www.cfaa-fcapi.org/newsletter.html)

CFAA represents the owners and managers of close to one million residential rental suites in Canada, through 17 associations across Canada. CFAA is the sole national organization representing the interests of Canada's \$37 billion rental housing industry.

*CFAA Thanks its 2008– 2009 Allied Members!*



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[www.bell.ca](http://www.bell.ca)



[www.rogers.com/cma](http://www.rogers.com/cma)

#### *Silver*

My Ideal Home Network , TD Canada Trust—Multi-Unit Residential Mortgages, and Telus

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