

**IMPACT OF THE PROVINCIAL SCHOOL TAX ON THE UNIVERSITY
ENDOWMENT LANDS COMMUNITY**

Submitted to by the UEL Community Advisory Council

Summary

The BC Provincial Government introduced a property "school tax" in 2018 with the stated purpose of increasing revenue for public education and making housing more available.

This submission points out that this "school tax" failed to bring about its desired policy benefits. Moreover, this tax undermines the legitimate rule of law in British Columbia by targeting select minorities thus violating the principle of the universal application of laws.

Failure to Generate Revenue

As anticipated, the introduction of the "school tax" on select properties reduced the number of real estate transactions in BC. While the provincial property transfer tax (PTT) has been an important source of provincial government revenue, bringing in more than \$2 billion annually to provincial coffers. Following the introduction of the "school tax" the number of real estate transactions dropped by a third. That translates to approximately **\$600 million decrease in provincial tax revenues** even with the conservative assumption that real estate transactions declined uniformly.

Secondly, in response to the "school tax", the property values for homes assessed at more than \$3 million declined further than the broader real estate market in Greater Vancouver and the rest of the province. This further reduced the government's anticipated revenue.

For instance a house assessed at \$4.3 million in 2018 was anticipated by the government to bring an additional \$3,800 in newly imposed "school surtax". A year later, with the predictable market response to the "school tax" and other policy measures, the same house was assessed at \$3.5 million, a 19% drop in its assessed value, and subject to \$1,000 in "school tax". This is a **74% drop in revenue to the provincial government**. By 2020, the same house was assessed at \$2.9 million, **no longer generating any "school tax" revenue to support government finances**.

Based on its financial objectives of generating an additional \$200 million in tax revenue, the "school tax" is a dismal failure, generating considerably less than the anticipated amounts and undermining existing sources of provincial revenue by more than a half of a billion dollars resulting in a net budgetary drain on provincial tax revenues.

Undermining the Rule of Law

In addition to being a financial failure, the "school tax" as designed is undermining the legitimate rule of law.

Legitimate laws are founded on three principles; the laws have to be general, prospective and universal.

- By "general" we mean they apply in a wide variety of circumstances, not a very specific set.

- By “prospective” we mean that the laws must be known in advance and not made up after the fact.
- By “universal” we mean they apply to everybody rather than just to you.

The “school tax” is designed in such a way that it targets a very narrow set of homeowners, a minority that has no effective mechanism within a democratic process to push back on targeted, predatory taxation.

Legitimate laws, including tax laws, require that their applicability is known in advance of our actions and that they be predictable. The “school tax” fails on both counts as the homeowner cannot do anything or know in advance if a “school tax” will be imposed on them since the “market value” of a house is not anyone's intention. It's an abstraction that emerges from private interactions under no individual's control. Prices reflect market value, and market values reflect spontaneous order.

As illustrated in the earlier example, depending on property assessments, the homeowner had to pay \$3,800, \$1,000 or zero in this additional “school tax.” Public education funding is based on demographic and cost considerations that are understood, estimated and funded through stable taxation, not wildly volatile, badly designed and *selectively* implemented taxation.

The principle of universal applicability is so grossly violated that at the time the “school tax” was introduced, the University Endowment Lands was the **only jurisdiction** in British Columbia where every single family house was subject to this tax. No other jurisdiction in the province was so precisely and punitively targeted.

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Collapsing Affordability

The UEL is a long-established community with many long term residents that started their families and raised their kids in modest bungalows that can be seen throughout our community from Little Australia to Wesbrook Mall.

Those long term residents form the roots of our community. Now, in their sunset years are not able to afford draconian tax increases brought about by the "school tax". Retiree pensions are no match for tax increases often in excess of 10,000 dollars per year.

The government's property tax deferral program for the elderly is a thinly veiled lending scheme that highlights taxation so excessive, it requires taxpayers to go into debt to pay new taxes on their homes.

Younger families with children, carrying heavy mortgage burdens to be repaid over decades through reductions in other family spending are also steered into going further into debt to pay the "school tax". In this case, the government charges commercial (or higher) interest rates and by placing additional debt on already mortgaged property can undermine a homeowner's ability to access lines of credits that often support home renovations that help residents maintain the community.

Because of the "school tax's" unpredictable nature, with amounts changing considerably year-to-year, family budgets are more difficult to maintain. When selling a property, a homeowner might have paid thousands of dollars in "school tax" when their property was assessed at above \$3 million regardless of whether they owned the house outright or it was heavily mortgaged and whether the sale price was higher than the price they paid and the cost of improvements made.

Underscoring how the "school tax" undermines affordability and the legitimate rule of law is that an arbitrary group of homeowners are taxed regardless of their savings, their income or gains from the sale of a property. A family with a mortgage selling their house at a price lower than its purchase price is subject to pay thousands, likely tens of thousands in a deferred "school taxes" without realizing any property gains. This amounts to infinite taxation since there are no gains. By any reasonable governance standards this tax scheme is excessive and illegitimate.

Conclusion

As elected, volunteer representatives of our community, we, the UEL Community Advisory Council, ask the Provincial Government to reverse its decision to impose this "school tax" due to its damage to public finances, its negative impact on affordability and its undermining of the legitimate rule of law in our Province.