

MEMORANDUM

To: Board of Directors, Executive Committee, Government Relations Committee and Local Executive Officers
From: The Canadian Home Builders' Association of BC
Date: February 21, 2024
RE: Budget 2024 and its Impact on Residential Industry

Today, the Honourable Katrine Conroy, Minister of Finance presented Budget and Fiscal Plan 2024/25 - 2026/27 which keeps housing in focus with tax-centric measures to address affordability pressures for residents and businesses, while falling short on supports for low carbon housing.

In CHBA BC's engagement with the B.C. Government, the association had consistently raised the prohibitive structure of current taxes imposed on provincial businesses and residents, calling for meaningful reforms that would reflect current market housing prices and support housing activity. These calls have been responded to in Budget 2024 with the following announcements:

- Expanded Property Transfer Tax (PTT) exemptions introduced for First-Time Home Buyers and Newly Built Homes, increasing the thresholds to reflect today's housing costs.
- Increased exemptions from the Employer Health Tax (EHT) to \$1 million from \$500,000 starting in the 2024 calendar year. Businesses with payrolls between \$1 million and \$1.5 million will continue to be partially exempt and will see a decrease in tax obligations.
- Enhanced PTT exemptions for qualifying Purpose-Built Rental (PBR) buildings effective for transactions that occur between January 1, 2025 and December 31, 2030. PBRs are those that have at least four apartments, non-stratified and held as rentals, on a monthly basis or longer, for at least 10 years. The residential portion of the building must be entirely used for rental purposes.

"This budget includes some relief for qualifying first-time homebuyers, with an increase in the exemption to the property transfer tax up to \$835,000 and for new homes worth up to \$1.15 million, up from \$750,00 enabling access to new housing in more regions," says Neil Moody, CEO for CHBA BC. "We have advocated for an increase in the thresholds for several years, so it is good to see these incremental changes that will have an immediate effect."

While these taxation measures reflect CHBA BC's advocacy on these topics, further support from the Province is necessary to address the significant growth-related infrastructure costs that challenge the affordability of new residential units. Not seen in Budget 2024/25 are additional investments towards growth-related infrastructure for housing that would help curb the increasing cost pressures stemming from Development Cost Charges (DCCs).

In addition to the PTT changes, effective January 1, 2025 a new BC Home Flipping Tax will be imposed on the profit made from selling a residential property within two years of purchase. Specific exemptions are in place for qualifying life circumstances as well as for those who add to the housing supply or engage in construction and real estate development - a crucial recommendation made by CHBA BC during consultation to ensure home building efforts are not undermined. The Flipping Tax does apply to income from the assignment of contracts to purchase these properties and is set at 20% for properties sold within 365 days of purchase and will decline to zero between 366 and 730 days.

Regarding CleanBC, the BC Budget has once again disappointed CHBA BC in providing little to no support to deliver low-carbon homes, especially for rural and northern communities where top-ups to reduce capital cost barriers to heat pump adoption were needed. The BC Budget has limited \$40 million for additional heat pump rebates to income-qualified households, leaving many households to bear capital-intensive costs of low-carbon housing.

Full details on the above-outlined measures as well as other Budget 2024/25 announcements of interest to CHBA BC and its members are included in Appendix A.

CHBA BC welcomes executive officers and members to share any comments or questions with us regarding this year's BC Budget.

Sincerely,



Neil Moody
CEO

Attachment 1: Budget 2024 Key Highlights

Easing the Pressure of Everyday Costs

- **Increased Exemptions from the Employer Health Tax (EHT)** effective January 1, 2024. The exemption threshold is doubling from \$500,000 to \$1 million starting in the 2024 calendar year. The notch rate for remuneration above the new exemption threshold of \$1 million and below the full rate threshold of \$1.5 million is increased from 2.925% to 5.850%. (See page 67 for details)
- **BC Electricity Affordability Credit** that will reduce electricity costs for residential, commercial, and industrial customers starting April 1, 2024. Households will see on average approximately \$100 in savings on their residential electricity bills over twelve months, depending on their power usage between April 1, 2023 and April 1, 2024. Commercial and industrial customers will receive bill credits proportional to approximately 4.6% of their electricity consumption.

Newly Announced Housing Initiatives

- **\$2 Billion towards BC Builds** a new provincial program aimed at utilizing underused land, low-cost financing, and grants to deliver more affordable homes for middle-income peoples and families.

Measures related to Housing Supply and Affordability

- **New Flipping Tax** applies to income from the sale of property that was held for less than two years, applying to properties sold on or after January 1, 2025. Properties sold after the effective date will be subject to the tax if purchased within two years of the sale and will apply even if the property was purchased before the effective date. Note:
 - The tax rate is set at 20% for properties sold within 365 days of purchase and will decline to zero between 366 and 730 days.
 - It will apply to the income from the sale of properties with a housing unit and properties zoned for residential use. It will also apply to income from the assignment of contracts to purchase these properties.
 - The tax will not apply to land or portions of land used for non-residential purposes.
 - Exemptions will be provided for those who add to the housing supply or engage in construction and real estate development, which will be defined further in legislation.

- Exemptions also available certain life circumstances that might motivate the sale of a property within two years (ie. separation, divorce, death, disability or illness, work relocation, involuntary job loss, change in household membership, personal safety or insolvency).
- Individuals selling their primary residence within two years of purchase can exclude a maximum of \$20,000 when calculating their taxable income.
- Revenue from the tax will go directly to building homes, similar to the Speculation and Vacancy Tax.

Ministry of Finance staff have advised that legislation that will bring this tax into effect is expected to come forward in April of this year, during the spring session. More clarity will be provided on how exemptions for those engaged in construction and real estate development will be considered. As well, the legislation will also include the ability to make deductions from the reported profit on a property sold within two years (ie. acquisition costs, permanent improvements, and sales costs). CHBA BC has shared that it would be pertinent for the Ministry to consider costs associated with energy efficient upgrades and delivering a high-performance building.

- **Increased PTT exemptions for First-Time Homes Buyers** effective April 1, 2024. The threshold is increased from a fair market value of \$500,000 to \$835,000, where the first \$500,000 is exempt from the property transfer tax. The phase out range is \$25,000 above the threshold, with the complete elimination of the exemption at \$860,000. Qualifying properties with fair market value under \$500,000 will be completely exempt from the property transfer tax.
- **Increased PTT exemptions for Newly Built Homes** effective April 1, 2024. The newly built home exemption exempts qualifying purchasers from property transfer tax for the purchase of a principal residence with the fair market value threshold of \$1,100,000, a significant increase from the current \$750,000. The phase out range is \$50,000 above the new threshold, with the complete elimination of the exemption at \$1,150,000 for qualifying newly built homes.
- **Enhanced PTT exemptions for qualifying Purpose-Built Rental (PBR) buildings** effective for transactions that occur between January 1, 2025 and December 31, 2030. PBRs are those that are non-stratified and held as rentals, on a monthly basis or longer, for at least 10 years. The residential portion of the building must be entirely used for rental purposes and have at least four apartments. This exemption builds on the further 2% property transfer tax exemption for new PBR announced in *Budget 2023*.

- **Speculation and Vacancy Tax Act Expansion and amended definition of registered occupier.** Effective January 1, 2024 a person who possesses a residential property under a lease registered in the Land Title and Survey Authority of BC and will be treated as the registered occupier for the property for the purpose of the speculation and vacancy tax and be responsible for the tax. This shifts the responsibility from fee simple owners of a leasehold property to registered leaseholders who have control over how the property is used. Registered leaseholders who are not already required to declare in 2024 will declare for the first time in 2025, based on the use of the property in 2024.

CleanBC and Advancing the Clean Economy

- **An additional \$93 million in 2023/24** provides a further \$20 million for active transportation, \$40 million for additional heat pump rebates for low- and middle-income households, and \$30 million towards electric vehicle public charging infrastructure across the province.
- \$50 million in 2024/25 for the purchase and installation of water metering in select communities to enable them to better conserve water by identifying leaks, establishing appropriate rates, and education used on their actual water use.

Investments Towards Future Skills

- **Extension of the Training Tax Credit** for employers by three years to the end of 2027, and the training tax credit for individuals for one year to the end of 2025.
- **\$178 million to construct a Trades and Technology Complex** at the Burnaby campus of the British Columbia Institute of Technology (BCIT). This project will modernize tools and spaces needed to help meet the growing demand for skilled tradespeople in construction. The project is in procurement and anticipated to be completed in 2027.