

U.S. cottagers should be exempt from Ottawa's proposed tax

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Another bilateral beef is brewing between Canada and the United States – this time over housing. U.S. citizens who own residential properties in Canada are riled by the Trudeau government's plan to slap a tax on foreign-owned vacant homes, according to published reports. In typical fashion, Ottawa has been slow to offer details about the levy and ordinary Americans are understandably frustrated with the vagaries of Canadian policy making. (Just imagine how we Canadians feel.)

Thousands of U.S. citizens own real estate in Canada and many of those properties are cottages or vacation homes. But the closing of our border during the COVID-19 pandemic has prevented many Americans from visiting and maintaining their Canadian digs for more than a year now. Naturally, they're worried that Ottawa will unfairly label them as absentee property owners and set them up for a big tax bill. The proposed 1-per-cent annual tax on the value of foreignowned residential real estate will apply to properties that are considered "vacant or underused." It is scheduled to take effect on Jan. 1, 2022, according to the federal budget.

It's unclear, though, how Ottawa will deem a property to be unoccupied or how the tax will be enforced. A forthcoming consultation will offer more details about the levy's parameters, its implementation and determine how it might apply in smaller, resort and tourism communities.

"More details will be released in due course," a Department of Finance official said in an e-mailed statement on Friday.

Those specifics can't come soon enough for many Americans who are worried about a hit to their pocket-books. They are demanding that Canada grant them an exemption from the proposed levy. Ottawa should give it to them.

American cottagers aren't responsible for Canada's affordable-housing crisis. Most of them can't even cross the border right now. Consultation or not, it's wrong to leave them twisting in the wind. Ottawa's inattention to this issue is stoking resentment that risks damaging bilateral relations. That's not an exaggeration.

Americans have already made it clear that if they are not exempted from paying the proposed levy, they will urge Congress to impose a retaliatory tax on snowbirds and other Canadians who own property in the United States.

It's not known exactly how many snowbirds are property owners south of the border, but up to 375,000 Canadians typically spent winter months in the United States and Mexico prior to the pandemic, according to a 2019 report from Statistics Canada.

There's already a movement afoot to pursue a retaliatory tax. At least one U.S. congressman, Representative Brian Higgins – a member of the U.S. House of Representatives committee on ways and means, no less – is vowing to make good on that threat if U.S. citizens aren't spared from paying the levy.

“The imposition of this proposal as contemplated could result in a significant financial burden on many of my middle-class constituents who own homes in Canada and weaken the bond between our two countries at a time when we should be looking for ways to strengthen it,” Mr. Higgins wrote in a letter to Kirsten Hillman, Canada’s ambassador to the United States, last month.

“I sincerely hope we do not have to get to a point of escalation and retaliation,” he later added.

U.S. Senate Majority Leader Charles Schumer has also raised the tax tiff with Ms. Hillman, The Buffalo News reported last week.

The newspaper has also taken a stand on the issue. “We get it, Canada. The pandemic has been hard on all of us. But absence is supposed to make the heart grow fonder,” states its editorial.

“Why would you want to impose a new tax on Americans who can’t tend to their Canadian cottages while the border is closed to most land traffic? If this is a trial balloon by the Canadian government, we’re here to pop it.”

A reality check does seem to be in order. Foreign buyer taxes are already in place in parts of British Columbia and Ontario and those measures have done little to cool housing prices. It’s not clear why a federal tax would lead to a different result.

But by all means, Ottawa, go after professional speculators, both foreign and domestic, who use Canadian homes as passive investment vehicles, price local families out of the market and allow those vacant properties to become eyesores in our communities.

But for goodness’ sake, ease the minds of ordinary American cottagers. It’s illogical to blame them for the current runup in Canadian housing prices.

They’re law-abiding folks who use their seasonal properties for pleasure trips and contribute to the Canadian economy with each visit.

The federal government should be preparing to welcome them back, not chasing them away.

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