August 2, 2018

Mr. Wayne Easter, Chair
Standing Committee on Finance (FINA)
131 Queen Street, Sixth Floor
House of Commons
Ottawa, ON K1A 0A6
c/o: David Gagnon, Clerk of the Standing Committee on Finance
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Dear FINA Members:

Re: Pre-Budget Recommendation for New Tax Revenue and Spending Priorities

I believe everyone should contribute proportionally to the Canadian economy for the benefits of being a Canadian. Thinking of the 2019-2020 Budget, I am concerned by:

1. the lack of a return to a balanced budget to sustain future economic downturns
2. growing income disparity
3. declining housing affordability, in at least some urban centres
4. the apparently growing problem of mental health and the effect mental illness has on those with it, their families and the surrounding community.

Below are recommended levies that I believe are proportionate and should be directed to helping address the foregoing problems. I was a higher-income earner and will pay more tax, but I believe this appropriate.

1. Partial Tax on Excess Principal Residence Gains, Other Housing Revenues

There is an affordability problem in certain major urban centres and no sustainable plan at the federal, provincial or municipal levels that I am aware of to help address it. Some have been 'lucky' to invest when they did; but others are masking speculation or renting without declaring revenue.

FINA should recommend that the Budget:

a. **Mandate the electronic reporting to the CRA by Airbnb and equivalent companies of rental income.** Financial institutions already undertake considerable tax reporting and, with the growing Airbnb phenomenon, so too should these organizations, for two reasons: to ensure income tax is paid on the revenues and ideally to reduce the loss of access to rental units.
b. **Tax some portion of primary residence net capital gains on increases over a certain percentage above annual housing cost inflation in a particular area over the holding period, where a home sells for over $1 million (or other appropriate amount).** Phased in, this would be progressive and dissuade some house flipping that drives up housing costs. For those who have made well-above-average gains, some percentage (5%?) of that excess should seem reasonable.
c. **Require the CRA to collect information on the frequency of primary residence turnover and advise all taxpayers to keep records of capital expenses.** While I understand that a capital gains tax is already levied on a net increase in the value of a principle residence if sold within a year, there is some anecdotal evidence that some Canadians serially do this after a year and this seems an investment strategy that is not subject to appropriate amounts of tax.

2. Ensure Canadian Citizens Pay for Infrastructure They May Use

There has been an increase in globalization not just in economic terms, but also in terms of where people live. Reasonable Canadians should be ready to contribute to maintaining the infrastructure when not at home. People living *outside* Canada for long periods, but *less* than a certain number of days, have access to 100% of the benefits of Canadian health care (with some conditions) and other advantages. Those Canadian citizens who reside permanently outside Canada do not pay taxes or have immediate access to health care and other government services, but benefit from a Canadian passport that gives them the permanent right to come back to Canada, re-establish residency quickly and easily, with access to quality free or comparatively low-cost health care (and have children born here with similar benefits), as well as protections that can be costly to provide.

The U.S. taxes the world-wide income of its citizens, even if non-resident, under the *Foreign Account Tax Compliance Act*. I do not recommend FATCA North, although there is a rationale for it in Canada as well. For example, a highly-respected senior securities lawyer, earning over half a million dollars a year, announced some years ago that he and his wife were retiring to spend half the year in the southern U.S. While paying full income taxes and not wearing out road, sewage and other services to the same extent as people living full-time in Canada, 'Snowbirds' under-contribute proportionally, I believe it could be shown, to the maintenance of Canadian federal, provincial and municipal infrastructure as compared to their stay-at-home compatriots.

- **If half their spending is in the U.S., Snowbirds contribute 50% of sales taxes in the U.S. and help create and maintain jobs for Americans.**
- **At home in Canada, arguably these Snowbirds:**
    - **spend only 50% annually on Canadian workers (and the taxes the workers pay) as compared to a fully Canadian-resident individual**
    - **may call on up to 100% of Canadian taxpayer-provided benefits (e.g., health care, policing).**

Fully non-resident Canadian citizens should understand the need to help pay for the infrastructure of Canada that they may use. They do not buy goods and services in Canada or create/maintain/pay for what amounts to jobs for other Canadians and the general Canadian infrastructure. If Canadians spend 100% of their lives *outside* Canada, they can return for free to enjoy 100% of the benefits of living in Canada, with a short waiting period in the case of health care.

FINA should recommend:

a. **Levying a tax or fee on individuals who choose to live outside of Canada for over 90 days a year, but remain resident in Canada.** While they cause less wear-and-tear on Canadian infrastructure, and pay income tax, an additional levy on these Canadians is fair and:
    - It is progressive (one might conclude that the above-mentioned lawyer was well-remunerated and more likely than others to have the capacity to live abroad for extended periods).
    - It would be administrable due to homeland security requirements and technology advances that have automated data capture of Canadians crossing borders. If there were 100,000 Canadians (excluding students under 25, military, other select categories) spending three to six months (on average 1.5 months more than three months) abroad annually, a levy of $500 per person would not be onerous and would yield $75 million.

    Lower-income people with health reasons requiring them to live elsewhere (or having to care for family members outside the country for a period) could pay a minimum amount or have it waived.

b. **Applying an additional 'insurance' requirement on those who move outside Canada permanently or for periods of more than six months.** There have been questions about the cost, risk and other implications of extracting people who chose to travel to or live in, for other than humanitarian reasons, countries known to be dangerous, and about people using citizenship as passports of convenience. I would be ready to pay such a tax – and it could be a flat $500 or so a year or based on income – as it would indicate to the Canadian government officials (and emergency workers/soldiers if it ever got to be this serious) that I valued Canada, my citizenship, and what they were doing on my behalf. Canadian military personnel, government and aid workers associated with reputable groups would be exempt as they are some of Canada's, and Canadians', best ambassadors.

c. **Mandating the reporting of the current value of RRSPs (and other tax-advantaged plans) to the CRA, capping their aggregate total value (and the total value of a taxpayer's TFSAs) at, say, no more than $5 million (adjusted annually for inflation) or other amount per taxpayer per plan type, and requiring amounts in excess of the established threshold to be brought into income and taxed over an appropriate number of years (for TFSAs, it would simply be a question of removing the amount from the TFSA to stop further tax-protected savings).** It is understood that the value of some individuals' RRSPs are in the hundreds of millions of dollars, and I do not believe this was the expectation of Canadian taxpayers that tax payment be deferred on such amounts for extremely long periods of time.

d. **Studying and adjusting the 65-year-threshold for retirement payments to ensure that the CPP remains actuarily sound for 75 years (as it has been in the past) and to manage increases in OAS and GIS in light of longer life spans and achieving fairer intergenerational results.** An increase in this threshold must be phased in given the increase in life span and no change in the 65 threshold over many, many years. This government and all parties should have the courage to do what is right.

3. Other Issues

a. **Spending Priorities**

As noted at the start, I believe revenue from the above levies should be applied directly to balancing the budget, mental health and affordable housing; the taxing and spending measures ideally should help redress some part of the income disparity issue.

b. **CRA Hearings**

FINA should hold hearings about some of the small taxpayer audit cases that have 'gone off the rails', and that could have been resolved with a much better process. Smaller taxpayers have less tax experience, less money to pay for tax accountants and lawyers, and less ability to move money offshore. The two cases I am aware of are not only the cause of high stress for the taxpayers, but the unfairness, when wealthier taxpayers can "come to an arrangement", is having a negative effect on honest Canadian taxpayers. Once you have people questioning the fairness of the tax system – not just because it is generally accepted that the rich get away with more than the poor – the very voluntary nature of Canada's tax system is at risk. And this is a slippery slope.

I would be pleased to discuss these proposals and hope to see them reflected in the Finance Committee's recommendations and 2019-20 Budget. Where recommendations are not adopted, it would be helpful to find a discussion in the FINA report of why they were not adopted.

Yours truly,

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