

BC Land Value Tax Research

Draft results as of May 2024 - findings will be updated in June when better data becomes available for this analysis. Short link: commonwealth.ca/bclvt

If BC were to apply a new land value tax by property type (agricultural, residential, commercial and vacant) in order to collect of 75% of the annual land rents, we estimate that it would raise \$47 billion in revenues. The revenue would be *sufficient to eliminate provincial income taxes, municipal property taxes, the SVT, and provincial corporate taxes*, with an additional \$10 billion in surplus annual revenue that could be used to further compensate households, used for agricultural or business subsidies (to ensure those paying receive support in kind), or towards housing priorities.

This would reduce property prices across the province by over \$1.1 trillion (an average price reduction of \$640,000 per property), making homes more accessible for purchase.

Tax rates

Collecting 3/4 of all land rents under this scenario would require a 10.5% tax on agricultural land, a 15.5% tax on commercial land, and a 7.7% tax on residential land (corresponding to a 1.93% tax on the present land value).

- In the first scenario explored below, total new tax revenues collected from BC households equals total forgone revenues from tax cuts to those households.
- In aggregate, \$10 billion of additional tax revenue would be collected from commercial, vacant and agricultural properties.

Impact on BC households - Three Tax Reform Scenarios

1) Income and Property Tax Shift + \$10B Surplus

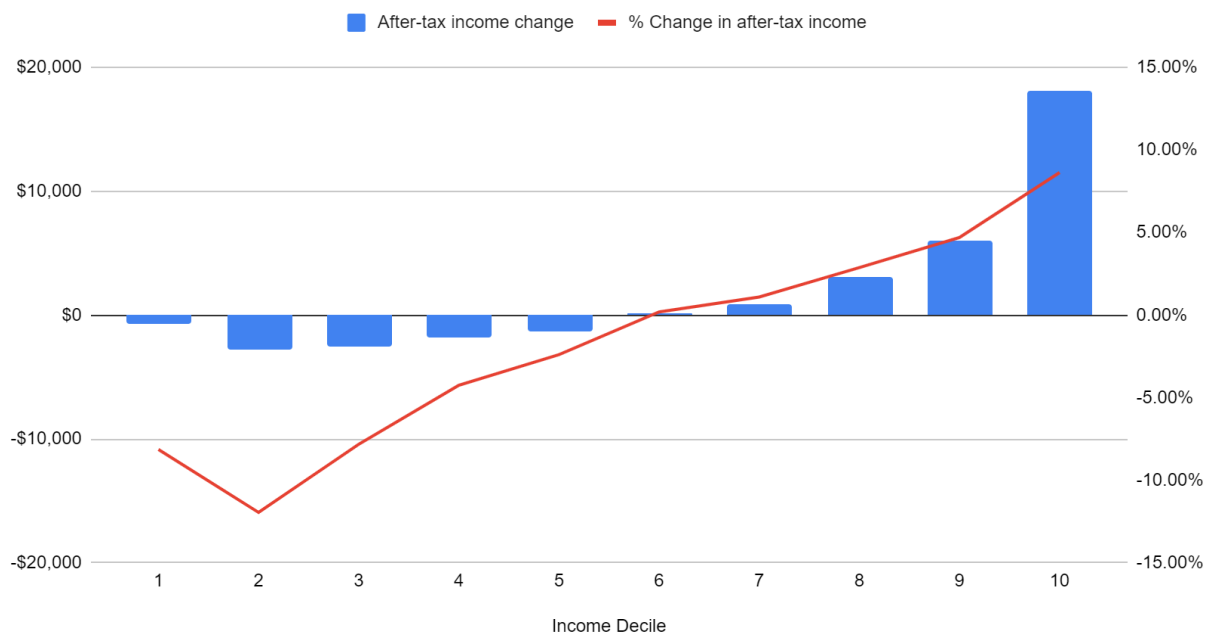
The elimination of provincial income and municipal property taxes, financed in this manner would result in a net income loss for the bottom 50% of British Columbians and a net gain for the top 50% of households. There is \$10B/yr surplus of land rent revenue not applied towards a tax shift in this example, which could be used to finance further tax reductions for business or finance transition costs.

The average BC family, earning the average family income in the average BC home, would see:

- a \$7,550 reduction in income taxes (or a near equivalent dividend in the scenario below)
- a \$5,100 reduction in property taxes
- a new \$12,250 annual LVT payment
- resulting in a net gain of \$450 per year
- the average home price would drop 43% (a \$437,800 reduction)

BC Simulation: multirate 75% land rent collection

Elimination of property, transfer taxes, provincial income and corporate taxes + \$10B Surplus

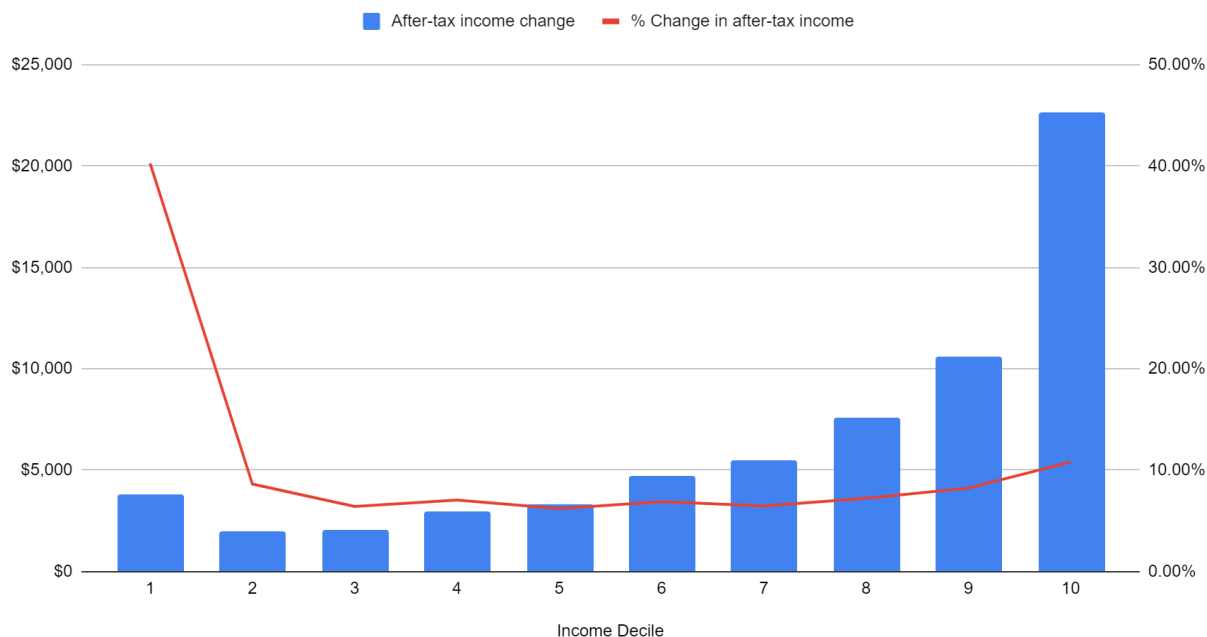


2) Income and Property Tax Shift + Dividend

Utilizing the un-earmarked surplus revenues from scenario 1, a further \$4,500 could be distributed to each household in the province in the form of an annual dividend. For households with too little income for an income tax cut to fully offset their LVT costs, this would ensure they too see a net income gain.

BC Simulation: multirate 75% land rent collection

Elimination of property, transfer, provincial income and corporate taxes + \$4,500 household dividend

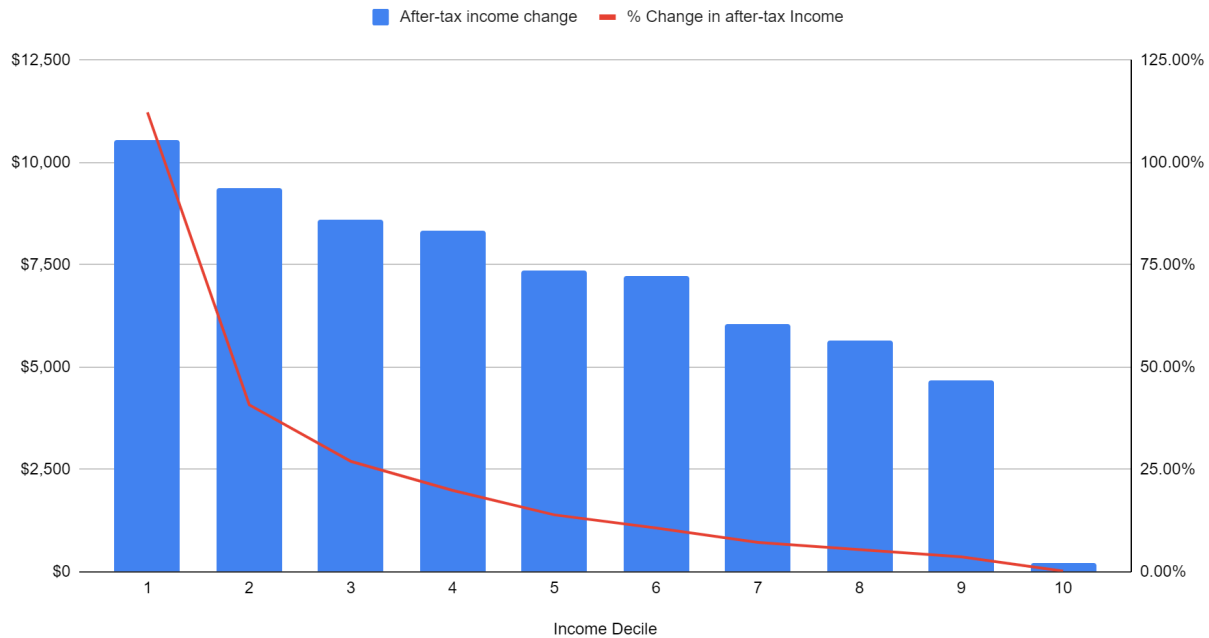


3) Property Tax Shift + Full Value Dividend

If, instead of eliminating provincial income taxes, that revenue was used to expand the household dividend from scenario 2, \$12,000 could be distributed to each household. Nearly all BC households would experience net tax relief. The bottom decile would enjoy a more than 100% increase in after-tax income. Provincial property, transfer and corporate taxes are also eliminated in this scenario.

BC Simulation: multirate 75% land rent collection

Elimination of property, transfer taxes and corporate taxes + \$12,000 household dividend



Real examples on next page

Real Vancouver Household Impacts

The following use real property assessment and neighbourhood mean-income data to simulate the impacts of the income and property tax shift (scenario 1) described above.

3BR Bungalow in Kitsilano



- Constructed 1947
- Valued at \$2,508,000 of which \$2,474,000 (98%) is land value
- Average neighbourhood pre-tax household income of \$104,508

LVT Payment:	\$50,799
Income tax reduction:	\$10,691
Property tax reduction:	\$12,540
Net % income change:	-33.2%
% property value change:	-72%

The market incentive is for redevelopment such that the LVT payment is borne by multiple households. Zoned for a secondary suite and up to 4 dwelling units.

3BR Duplex in East Vancouver

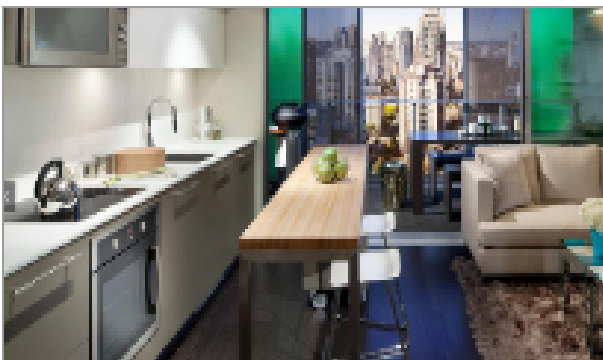


- Constructed 2013
- Valued at \$1,621,000 of which \$1,236,000 (76%) is land value
- Average neighbourhood pre-tax household income of \$95,058

LVT Payment:	\$25,379
Income tax reduction:	\$8,032
Property tax reduction:	\$8,105
Net % income change:	-11.7%
% property value change:	-56%

The market value of this home calls for a higher income family or an additional household. Zoned for a secondary suite and up to 4 dwelling units.

1BR Condo in DT Vancouver



- Constructed 2014
- Valued at \$808,000 of which \$484,000 (60%) is land
- Average neighbourhood pre-tax household income of \$103,886

LVT Payment:	\$9,955
Income tax reduction:	\$8,328
Property tax reduction:	\$4,040
Net % income change:	2.8%
% property value change:	-43%

The owner experiences net tax relief + no substantive change incentive.