

Indexed Property Tax - A new tool to increase revenue and reduce inequality

Property taxes in most jurisdictions are flat taxes; by definition a regressive policy that increases inequality. The rate for a \$150K condo is the same as for a \$25M mansion. The condo owner has to choose between groceries or taxes, the owner of the mansion does not.

In Canada, federal and provincial income tax, except Alberta, is indexed. Higher incomes pay a higher percentage in taxes. Canadians agree with this as it re-distributes wealth and funds shared services like health care. But Canada does not have wealth or inheritance taxes; the wealthy avoid income taxes by taking a low salary, while accruing untaxed wealth in their investments and properties. In the 2025 federal election campaign, the Liberals proposed a Canadian wealth tax to reduce wealth inequality.

The urban visionary Jane Jacobs said that cities are where the rubber hits the road. Federal and provincial governments set policies and targets but leave implementation to the cities, often without sufficient funding. The current push for more affordable housing is an example. A poorer population makes increased demands on municipalities for social programs including affordable housing, shelters and health services but as more people fall into lower income and wealth brackets, cities generate less revenue to pay for more services.

Indexed property taxes, based on wealth distribution enable cities to set rates according to the value of the properties, increasing total revenues while reducing inequality. New rates are set so poor people pay minimal taxes, the wealthy pay a lot more, and the middle class see little change. Indexed taxes would apply to residential and commercial properties and could also apply to revenue sources such as permits, licences and fines. Provincial governments could use indexed corporate and personal provincial taxes.

Indexed tax rates would allow cities to better align their tax policy with their social justice and community building policies, such as food security and agricultural land, attracting medical professionals, supporting social enterprises and sustainable industries, while deterring corporate exploitation. Exemptions and conditions would be necessary to manage the transition effects that could disproportionately harm some individuals such as people who bought their homes 40 years ago who would see a large increase in their taxes but no increase in their income.

Provincial legislation provides the authority to municipalities to set property tax rates. I urge you to lobby the BC provincial government to amend the legislation to allow for indexed property taxes. The Federation of Canadian Municipalities has recently issued a report that includes the option for indexed property taxes. Please consider supporting a resolution on indexed property taxes at the UBCM 2025 Convention in Victoria this September.

Making Canada's Growth a Success: The Case for a Municipal Growth Framework. Federation of Canadian Municipalities. 2024. <https://fcm.ca/en/news-media/news-release/fcm-releases-roadmap-improve-quality-life-canadians-strengthening-municipal-finance>

Taxing land wealth for the public good: provincial policy options. Alex Hemingway, Canadian Centre for Policy Alternatives. 2023. <https://www.policyalternatives.ca/news-research/property-tax-reform/>

3 graphs that show Canada's deep and persistent wealth inequality. PressProgress. September 11, 2014. <https://pressprogress.ca/3-graphs-that-show-canada-s-deep-and-persistent-wealth-inequality/>

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