

Property taxes higher for rental buildings of more than six units

BY PAMELA EADIE

CITIZEN ADVERTISING FEATURES

Source: **DICKIE & LYMAN LLP**, who practice landlord/tenant law and other areas of law.

QUESTION:

On Tuesday, March 30, on page A11, The Ottawa Citizen published a letter from a homeowner in Vanier who wrote that he knows of an apartment building with six two-bedroom units where the property tax is \$4,850 a year, or \$808 per unit, whereas the taxes "on my dumpy little two-bedroom house are \$2,930 a year." He asked, how can the city say the tenants' tax rate is much more than the rate on houses? He implied that it is not. Is he right?

ANSWER:

The reported property taxes mean that the owner's assessed value is \$235,000, while the assessed value of the apartment building is \$388,000. The City taxes each of those properties at about 1.25 per cent of value (one per cent for City purposes and 0.25 per cent for education). The property tax is based on the market value of each property.

Both properties are supposed to be assessed at the value that the property would sell for on the open market. (If the house is worth less than \$235,000, the owner can appeal his assessment. If the landlord thinks her building is worth less than \$388,000, she can appeal. If the City thinks the house or apartment building is worth more it can appeal either assessment.)

The original letter-writer implied that the six unit apartment building is six times the size of his two bedroom house, but apartments almost always have less useable area than houses. Even a two bedroom house usually has a basement and/or an attic. The house also has its own lot. In fact, for small old houses most of the value is in the land.

Where the unfairness comes in is in what the City charges in taxes on a building of more than six units. For those buildings, the City charges a tax rate of 1.7 per cent for City purposes, rather than the 1.0 per cent the City charges everyone else. If found in a building of seven units or more, a typical two-bedroom apartment that rents for \$995 per month

would generate property taxes of \$1,872 a year (\$1,632 for City purposes and \$240 for education purposes.)

An owner with a house worth \$500,000 pays \$5,000 in municipal tax, an owner of a house worth \$250,000 pays \$2,500, and an owner of a condo worth \$125,000 pays \$1,250, but so does the tenant of an apartment worth \$74,000. Because a property is rented and more than six units, the tenant pays a tax rate of 1.7 per cent through their rent, when every other occupant in Ottawa pays a tax rate of 1.0 per cent.

Society doesn't charge poor people a higher rate of sales tax for inexpensive clothes than we charge well off people for expensive clothes, and we don't charge poor people a higher rate of income tax. The same logic suggests that charging a higher rate of property tax on poor people is also inappropriate.

Spring HOPE Tenant- Landlord Food Drive

On Tuesday, April 13, many tenants and landlords will be coming together to help the Ottawa Food Bank collect food to assist the needy. Most large landlords in Ottawa work with the Food Bank to post notices and distribute bags in their apartment buildings. Tenant volunteers and building staff collect the bags of donated food within their buildings. Other volunteers transport the food to the Food Bank.

Last year tenants and landlords collected more than 126,000 pounds of food, making the Tenant- Landlord Food Drive the biggest food drive held in Ottawa.

Send questions for rental experts or suggestions for topics to Rental Guide, c/o Pamela Eadie, Ottawa Citizen Advertising Features, 1101 Baxter Road, Ottawa, K2C 3M4 or by e-mail to peadie@thecitizen.canwest.com. Selected questions will be answered in future columns only. For immediate assistance call the Landlord Tenant Board at 1-888-332-3234.

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