



## ***THE BC HOMEOWNER'S PROPERTY TAX ADVANTAGE***

by Peter Dolezal [The Naked Homeowner](#)

Many local seniors are constrained by limited incomes, yet have significant equity in their personal residence. Property taxes, which can amount to several thousand dollars annually, strain their owners' already limited budgets.

As homeowners in British Columbia, we are fortunate to enjoy a unique advantage over the rest of Canada – the option to defer the payment of property taxes on our personal residence, **regardless of income level.**

The basic rules and requirements are:

At least one owner on title must be 55 years of age, or older.

An owner of any age, with a defined disability, is also eligible.

The owner must have a minimum equity position in the home, of 25% of assessed value.

The home must carry a current fire insurance policy.

If you qualify, and are approved for tax deferral, the following will result:

- You will be charged a one-time administration fee of \$60, and an annual renewal fee of \$10.
  - The Provincial Government will pay the property taxes owed by you, for each year that you qualify, directly to your municipality.
  - Your eligible Homeowner Grant is deducted from the amount owed, as if you were paying the taxes directly.
  - The interest charged on your deferment account will be no greater than 2% **below** the bank prime rate. The rate is set every six months.
- 1) You can continue to defer your taxes for as long as you live in your home, and continue to qualify.
  - 2) The taxes and accumulated interest owing are repayable to the Provincial Government, only when you or your estate sells your home.

The application process is straightforward. In the spring, after receiving your Property Tax statement, pick up an *Application for Deferral of Property Taxes* from your municipal office. **All** owners who are registered on title must sign the application. Return the completed form to your municipal office. The Property Tax Deferment Program office will review your application, and hopefully, confirm your eligibility. Once that occurs, your approved application becomes a legal agreement. You will pay the \$60 administration or \$10 renewal fee, only if you are approved; you send no payment with your application.

If approved, a certified copy of your agreement is registered as a legal lien against your property. The lien is removed when the deferred taxes and interest are repaid, either on sale of your home, or sooner, should you choose to repay the accumulated amount earlier. No repayment penalties are applied.

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The Premier of British Columbia recently announced that the age requirement will be removed.

Homeowners **under** age 55 are now eligible for property tax deferral, subject to modified rules:

- Taxes may be deferred for up to two years only, rather than the unlimited deferral available to owners over age 55.
- To be eligible, only a minimum 15% equity in the home is required.
- Because of the lower equity requirement, interest is charged at prime rate,

2 percent higher than that charged for applicants over age 55.

The intent of this modification is to help ease cash pressures on homeowners of all ages. Again, repayment of the deferred amount and accumulated interest, occurs only on sale of the home, or early repayment by the homeowner.

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A particular benefit of the BC Property Tax Deferral Program is: no income qualification. The program can be accessed by absolutely anyone who meets the above requirements. Even those who do not *need* the financial relief may choose to apply for deferment.

In today's low interest-rate environment, a homeowner wanting a safe investment return, would have to invest at least \$50,000 to generate the same \$2,500 that he can achieve simply through property tax deferment. Furthermore, whereas the \$2,500 earned on his investment is fully taxable, the property tax deferment attracts no tax consequences. Clearly, this tax deferment option, available only in British Columbia, is well worth considering.

For those of you who have read my earlier article on the huge costs and other downsides of *Reverse Mortgages*, you will appreciate how deferring your property taxes, as in our \$2,500 annual example, is a far better cash preservation option than taking out a reverse mortgage of \$50,000, with the objective of generating the same \$2,500 annually.

Do not view tax deferment as an unfair future burden on family who may inherit your home. By any historical measure, going back 50 years, home values in Canada have increased each decade, by far more than any deferred tax obligation and interest that your home may accumulate as a result of your decision to defer.

**If you require more disposable cash to live comfortably in your own home, you owe it to yourself to consider the BC Property Tax Deferment Program.**