

RE: Empty Homes Tax

Vancouver is experiencing a housing crisis. In response to this crisis, Council enacted a by-law that is intended to increase the supply of rental housing for people who live and work in the city. Therefore, the by-law addresses both empty and under-utilized properties.

As noted in the September 20, 2016 and November 16, 2016 reports to Council, careful consideration was given to the potential impact of the Empty Homes Tax (EHT) on owners of second homes in Vancouver. However, following public consultation and input from both local and international subject matter experts on best practices, staff recommended a by-law that did not exempt secondary residences from the EHT.

Under the *Vacancy Tax By-law* enacted by Council, and unless a specific exemption applies, the EHT will be applied to residential properties that were neither (1) the principal residence of the owner, a family member, or friend, nor (2) rented out in periods of 30 or more consecutive days, for at least six months of the applicable tax year.

For the purposes of the EHT, a principal residence is defined as “the usual place where an individual lives, makes his or her home, and conducts his or her daily affairs [such as] paying bills and receiving mail, and is generally the residential address used on documentation related to billing, identification, taxation and insurance purposes.” Therefore, a second home that is used occasionally or intermittently by the registered owner or his/her guests (i.e. it is not a principal residence), and is not occupied by a tenant or subtenant for at least six months of the year (in periods of 30 or more consecutive days), is considered vacant and subject to the EHT unless a specific exemption applies.

Since making housing available for Vancouver’s workforce is a goal of the EHT, the by-law includes an exemption for owners who occupy their second homes for at least 180 days of the tax year in order to work in the city. Additionally, the by-law allows the six-month rental requirement to be met through non-consecutive rental periods (of at least 30 days each), which enables owners of second homes to use their properties for up to 180 days each year.

If an owner regularly occupies a second home in Vancouver so that it functions as the usual place they make their home, but they are doing so for purposes other than full-time work in the city, they may choose to establish that home as their principal residence. However, since a property must have been a principal residence for at least six months of the tax year in order to be excluded from the EHT, an owner who wishes to establish their second home in Vancouver as their principal residence would need to:

- (1) do so before July 1, 2017; and,

- (2) be able to provide information and evidence demonstrating that the home was their principal residence for at least six months of the year.

Failure to provide such evidence when asked could result in fines of up to \$10,000 per day of the continuing offense, in addition to the property being deemed to be subject to the EHT.