

Renovation Tax Credits - Improving Canada's Housing Stock

Issue

Renovations help provide stability in the housing market, create jobs, add to tax revenues, support local businesses, as well as contribute to local and higher governments' climate change goals. The federal and provincial governments have the opportunity to incentivize renovations that focus on energy efficiency and Greenhouse Gas (GHG) reduction.

Background

Significant progress on greenhouse gas reduction has been accomplished through technology and systems innovation, voluntary adoption of higher standards of performance, and a uniquely Canadian research and development collaboration between the public and private sectors.

The Province of British Columbia is committed to reducing greenhouse gas emissions as a part of the Climate Action Plan. Many B.C. municipalities are following this lead. For example, the City of Kamloops aims to reduce its greenhouse gas emissions to 45 percent below its 2007 levels by 2020. ¹

Housing is responsible for 6.3 percent of direct GHG emissions in Canada. Today's typical new house uses 37 percent less energy than a similar one built in 1990.² Further, there are many houses in need of renovation. For example, in Greater Victoria, 87 percent of the housing stock was built before the year 2000, when significant improvements were made to the building code. The Canadian Mortgage and Housing Corporation (CMHC) estimates 84,550 occupied private dwellings in the region built prior to 2000 and are in need of repair. ³

The opportunity is for the federal and provincial governments to incentivize renovations that focus on energy efficiency and GHG reduction. Such improvements in the housing stock help provide stability in the housing market, create jobs, add to tax revenues, support local businesses, as well as contribute to local and higher governments' climate change goals.

Such a tax credit can have a range of benefits over and above those flowing from the renovations alone. For example, home renovation tax credit programs:

- require use of qualified skilled labour,
- assist with the cost of the abatement of hazardous materials such as lead, asbestos, stucco, drywall mud, roof shingles, floor tiles, electrical wires, and cement,
- are an effective method for combatting underground "cash" operators, as to qualify homeowner require receipts, which helps keep both the contract value and revenue in the legitimate economy, and
- on older homes are the most affordable, effective way to increase energy efficiency in the overall housing stock as well as to reduce GHG emissions, allowing governments to demonstrate climate leadership.

¹ [City of Kamloops emissions targets on right track, but in the slow lane](#)

² [Help Canadian Housing and Homeowners Continue to Lead the Way: CHBA's Submission to Canada's Approach to Climate Change \(June 2016\)](#)

³ CMHC, adapted from Statistics Canada data (Census of Canada 2011 and National Household Survey).

Presently, the only federal renovation tax credit is the [Federal Home Accessibility Tax Credit](#) (HATC), which is available to those who are 65 or older or eligible to claim the Disability Tax Credit. The HATC is available for the 2016 and subsequent tax years and applies to the total qualifying expenses up to \$10,000 per year, resulting in a maximum non-refundable tax credit of \$1,500 ($\$10,000 \times 15\%$).

There are some provincial tax renovation credits, such as the [BC Home Renovation Tax Credit for Seniors and Persons with Disabilities](#). The maximum amount of the credit is \$1,000 per tax year and is calculated as 10% of the qualifying renovation expense (maximum \$10,000 in expenses).

Provincial and federal governments can build on these programs by introducing similar renovation tax credits that focus specifically on energy efficiency and GHG reduction.

Canadian homebuilders and homeowners need to continue to lead the way in climate change action. As the largest opportunity for energy efficiency lies in the existing housing stock, governments must help to encourage homeowners to retrofit existing homes.

Recommendation

That the federal government:

1. Re-introduce the Home Renovation Tax Credit, allowing the provinces/territories to continue with their own GHG emission reduction initiatives.
2. Ensure that multi-family residential buildings are included in the program.