

OLDER AND WISER: The pros and cons of property tax deferral

Consult with a family member or financial adviser to determine whether it's best for you

Tom Carney / Contributing writer

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It's property tax time. Is it time to defer those taxes? Let's check it out.

The Provincial Property Tax Deferral Program has been around since 1974. There are actually two PTDs; the Regular Program, aimed at persons aged 55 and older, surviving spouses of any age and the disabled, and one for families with children under 18. Neither program is particularly well known or popular.

The B.C. Seniors Advocate found that only 40 per cent of senior homeowners with household incomes less than \$30,000 are aware of the PTD. And while about 36,000 people in B.C. took advantage of the PTD in 2014, the province has 820,000 seniors and 80 per cent of them own their own homes.

The reason so few seniors choose to defer their property taxes, apart from those who are not aware of the program, is because most seniors abhor debt. It's a generational thing.

The exceptions: lately there are more seniors taking on debt to help their adult children get into their first home and, because the program isn't income tested, some high net worth taxpayers are using the deferment as a tax loophole.

Here is how the PTD works. If you qualify, the B.C. government will pay your residential property taxes directly to your municipality on your behalf. You repay the loan with interest when you sell the home or sooner if you wish.

Here's the best part. Right now the current interest rate for the Regular PTD is 0.70 per cent (2.7 per cent for the Family Deferment Program) and that is simple interest.

What's the downside to deferring your taxes? If your application isn't approved and it's past the property tax due date you will be charged a late payment penalty, you'll have a restrictive lien registered against your property and there is no guarantee that the interest rate is reviewed every six months.

Those deferred property taxes can add up quickly. Say you defer 10 years of property taxes starting with an annual property tax value of \$5,000 at the current annual interest rate of 0.70 per cent (let's also factor in an estimated annual property tax growth rate of five per cent). Your total interest payments would be \$2,245 and your total tax bill (principal and interest) would be \$65,134. Bump the tax value up to \$10,000 and the figures become \$4,490 and \$130,268 respectively.

Those who defer their taxes for an extended period are betting, whether they know it or not, that their house will be worth more down the road than it is today. That's possible, but it's not a bet that I would take.

With less than a month to go before property taxes are due (July 4), we are hearing and reading about how "cash-strapped seniors" are missing the boat by choosing not to defer their property taxes.

I get that. Why pay your property taxes when, for what amounts to the cost of a couple of pizzas, the provincial government will make a payment for you.

Here's my take: As with any important financial decision you may wish to consult with a family member or a financial adviser to decide if deferring your property taxes is the right program for you.

The PTD does what it is supposed to do – it helps struggling homeowners. Still if you can't afford to pay your taxes, then maybe it's time to look at your budget. On the other hand, if you have another use for those funds other than paying your taxes then it's hard to find a better deal than the one being offered to you through the PTD.

Tom Carney is the former executive director of the Lionsview Seniors' Planning Society. Ideas for future columns are welcome.

[tomcarney@telus.net \(mailto:tomcarney@telus.net\)](mailto:tomcarney@telus.net)

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