

PROFESSIONAL CONCERN REGARDING PROPERTY TAX DEFERMENT CHANGES

Executive Summary

Outstanding property tax deferral loans (2024/25 Public Accounts): \$2.336 billion
Estimated annual fiscal cost (based on borrowing cost and interest spread): \$18–23 million
BC provincial revenue: approximately \$84 billion
Estimated cost per BC taxpayer: approximately \$8–10 annually

Policy Consideration

If the concern is the spread between the Province’s borrowing cost and the deferral rate, a more proportionate adjustment, such as moving from Prime minus 2% simple interest to Prime minus 1%, simple interest would likely resolve most or all of the borrowing-cost gap without requiring a shift to Prime plus 2% compounded monthly.

March 17, 2026

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Subject: Property Tax Deferral Program Policy Changes

Dear Minister Bailey, Minister Malcolmson, Premier Eby, Mr. Scott, and Mr. Levitt:

We are Certified Financial Planners and Chartered Professional Accountants who advise British Columbians on retirement income planning, tax matters and government benefit programs. In our work we regularly see how property taxes, retirement savings withdrawals, and income-tested benefits interact in practice.

Based on available fiscal data, the changes to British Columbia's Property Tax Deferral Program appear to represent a significant policy response to what is, fiscally, a very modest issue.

The changes also risk disproportionately affecting homeowners who are already financially constrained.

Program Structure, Purpose, and Policy Implications

The Property Tax Deferral Program is often misunderstood. It is not a grant or subsidy. It is a secured loan program under which the Province pays the property tax to the municipality on the homeowner's behalf. The amount becomes a secured loan, registered against the property title, and is repaid with interest when the property is sold or transferred.

The program is available to:

- seniors aged 55 and older
- surviving spouses
- persons with disabilities
- some families with children

The program exists because property taxes must be paid from income rather than home equity. Many homeowners, particularly seniors, live in homes that have appreciated over decades, but they rely primarily on CPP, Old Age Security, and modest pensions to cover ongoing expenses.

In many cases, these are not luxury properties, but modest houses or condominiums whose values have risen with the broader housing market, while the income available to pay property taxes has not increased at the same pace.

Municipal property taxes in many communities have risen significantly in recent years, generally outpacing growth in retirement income (see Appendix A). Although CPP and Old Age Security are indexed to inflation, those adjustments do not match the rate of recent municipal tax increases. For households living on fixed or slowly growing pension income, this gap can create meaningful financial pressure.

For homeowners who do not have sufficient income to pay property taxes directly, the deferral program allows those obligations to be met using home equity rather than current cash flow. In this

way, it functions as a public lending tool that supports aging in place without forcing additional withdrawals from retirement savings or premature home sales.

Finance Minister Brenda Bailey has publicly suggested that the policy changes are intended to address wealthy homeowners who are abusing the program. While that framing may resonate within broader housing affordability debates, the available fiscal data suggests the scale of the underlying issue is relatively modest. That characterization also risks reinforcing a misunderstanding of how the program operates.

Because the program is an interest-bearing loan that must ultimately be repaid, some homeowners who have the financial capacity to pay their property taxes may still choose to use it as part of ordinary financial planning, which is consistent with the program's design and eligibility rules. Characterizing such participation as abuse risks misrepresenting legitimate use of the program and implicitly casting compliant users as acting improperly. Furthermore, the assessed value of a home does not reflect equity, as many senior or disabled homeowners using the program may still have outstanding mortgages.

More importantly, the structure of the policy change does not appear well suited to addressing the concern that has been raised.

If deferment becomes significantly more expensive, homeowners who have the financial capacity to pay their property taxes will simply exit the program. Those who remain will largely be households that do not have the option to leave and cannot realistically pay those taxes from income.

In effect, the program would shift from a modest secured public lending tool into a materially higher-cost financing mechanism used primarily by homeowners with no alternative. Rather than functioning as a stability tool supporting aging in place, it would operate as a higher-interest source of financing concentrated among financially constrained households.

Higher deferment costs may also accelerate decisions to sell homes earlier than otherwise necessary. This would undermine the Province's stated objective of helping seniors age in place and could increase pressure on already pressured assisted-living and long-term-care systems.

Financial Constraints Facing Homeowners

In some cases, homeowners may be forced to withdraw funds from already limited retirement savings to pay property taxes. For households receiving the Guaranteed Income Supplement (GIS), and potentially other programs such as Fair PharmaCare, this creates a compounding effect. Because GIS benefits are reduced by roughly 50 cents for every additional dollar of income, withdrawals used to pay property taxes can materially reduce benefits.

In practical terms, a \$4,000 property tax bill can require approximately \$8,000 in retirement savings in order to net the required amount after GIS reductions (see Appendix B). The tax itself does not double, but the retirement savings required to fund it effectively can.

The consequence is accelerated depletion of any retirement capital. For households with modest savings, this dynamic can materially shorten the longevity of their resources. For others, the withdrawal capacity may not exist at all.

Comparison with Private Borrowing Costs

The Province has suggested that the deferment rate would bring the program more closely in line with market borrowing rates. However, current variable mortgage rates are approximately Prime minus 0.8%. With Prime currently at approximately 4.45%, this implies typical variable mortgage borrowing costs of approximately 3.6%–3.7%.

The deferment rate of Prime plus 2% will be approximately 6.45% as of April 1, 2026, based on a current prime rate of 4.45%, and is expressed as compounded monthly. In the context of the deferment program, this increases the effective interest rate relative to a simple annual rate and represents an additional increase in cost beyond the stated change in the nominal rate. The resulting effective annual rate of approximately 6.64% is roughly 2.9–3.0 percentage points higher than typical variable mortgage borrowing costs, despite the loan being fully secured against residential property.

In theory, some homeowners might consider using private borrowing rather than the deferment program. In practice, this option is often unavailable. Many seniors may not qualify for additional borrowing, and registering a new mortgage or line of credit requires paying off outstanding property tax balances as part of the lending terms.

As demonstrated in Appendix D, outstanding deferment balances can materially complicate refinancing for low-income seniors during health crises or forced housing transitions.

As a result, some homeowners may have few realistic alternatives. If conventional borrowing is unavailable, the program may become the only source of financing for property taxes despite carrying a materially higher interest rate. In such circumstances, the Province would effectively become the high-cost lender of last resort for homeowners who have limited borrowing options (see Appendix D).

Public policy should not depend on increased revenue generated through financial pressure placed on households that may already be financially constrained, particularly when those remaining in the program are likely to be the homeowners with the fewest alternatives.

Revenue Effects

In addition to generating interest income through the deferment program itself, the new policy may also increase provincial revenues indirectly if it leads to greater retirement savings withdrawals or home sales. Larger withdrawals would generate additional provincial income tax, while home sales would generate land transfer tax revenue.

Government statements to date have emphasized addressing perceived misuse of the program and have indicated that the change is not intended as a revenue measure. However, the financial effects of moving to Prime plus 2% compounded monthly are reasonably foreseeable. Higher deferment interest revenue, and the likelihood of additional retirement savings withdrawals and earlier home sales would both generate additional provincial tax revenue.

Even if revenue generation is not the stated objective, these outcomes would be a predictable consequence of the policy design.

Program Size and Fiscal Impact

According to the Province's 2024/25 Public Accounts, the outstanding balance of property tax deferment loans is approximately \$2.336 billion.

Using a blended borrowing cost assumption of approximately 3.95%, derived from recent provincial bond yields across maturities (see Appendix C), the estimated net fiscal cost of the program falls in the range of approximately \$18 million to \$23 million annually.

In fiscal terms, this is small relative to provincial finances. With provincial revenue of roughly \$84 billion, the estimated cost represents approximately 0.02% to 0.03% of revenue, or approximately \$8–\$10 per BC taxpayer annually.

The program has recently been framed as a cost that must be addressed, yet the available data suggests its fiscal impact is modest relative to overall provincial finances. Even if cost recovery were the sole objective, the extent of the structural change appears difficult to explain on fiscal grounds alone.

For additional context, the Province's recently introduced Renter's Tax Credit, which provides up to \$400 annually for renters, likely costs between \$120 million and \$150 million per year (see Appendix C).

Both programs exist for the same reason: housing costs are rising faster than many people's incomes.

It is also worth noting that the Families with Children portion of the program currently carries a deferment rate of approximately 4.95%, which would generate a positive interest spread relative to the Province's borrowing cost.

Aging in Place and Long-Term Care

Provincial policy has increasingly emphasized the importance of helping seniors age in place.

The population of seniors in British Columbia is growing rapidly, and long-term care demand is expected to rise significantly. Public reporting indicates that the number of new long-term care beds is not keeping pace with projected demand.

Policies that increase financial pressure on homeowners may work in the opposite direction by encouraging earlier home sales or creating additional stress during health transitions (see Appendix D).

In practice, many families already play a role in supporting aging parents financially, particularly where the objective is to allow parents to remain in their homes while preserving sufficient home equity to help fund future assisted living or long-term care if needed. In some cases, adult children contribute toward ongoing household expenses with the understanding that the home will eventually pass to the next generation.

If deferment costs increase materially, these families may face a difficult choice: either assume responsibility for paying property taxes directly or allow deferment balances to grow more quickly at an interest rate that is materially higher than typical market mortgage borrowing costs. Switching to conventional borrowing is often not straightforward for many seniors, particularly where existing deferment balances must be repaid as part of refinancing (see Appendix D). In those circumstances, the Province's claim on the eventual sale of the home would grow more quickly, reducing the equity available to fund assisted living or long-term care.

Consultation Question

Given the complex interaction between property taxes, retirement savings withdrawals, and income-tested benefits such as the Guaranteed Income Supplement and Fair PharmaCare, it would be reasonable to expect that the policy analysis supporting these changes included consultation with professionals who regularly advise affected households.

Were financial planners, accountants, and seniors' advocates consulted as part of the policy development process? If so, how were the interactions between property tax payments, retirement income withdrawals, and income-tested benefits addressed in that analysis?

Policy Options and Recommended Approach

If the Province's objective is to address the interest rate spread between its borrowing costs and the deferment rate, two principal approaches exist.

Option 1: Introduce Income Testing

One approach could be to introduce an income test to restrict access to the deferment program, perhaps set at a level comfortably above GIS thresholds.

An income test may appear straightforward, but it would introduce significant administrative complexity and cost.

Annual income verification, application reviews, and determinations of eligible income sources would transform what is currently a secured lending mechanism into a bureaucratically intensive program.

More importantly, annual income is not a reliable measure of cash flow. A senior couple earning \$60,000–\$70,000 annually may have little surplus once housing, utilities, insurance, food, and medical costs are paid.

Retirement income also fluctuates. If eligibility is based on prior-year income, a temporary income increase could cause disqualification. Additional retirement savings withdrawals to pay property taxes would increase taxable income and trigger further disqualification in subsequent years, a feedback loop driven by technical income definitions rather than true ability to pay.

Any income threshold would also be inherently arbitrary, whether set at \$50,000, \$70,000, or \$80,000. Households with financial pressures, including medical costs, caregiving responsibilities, disability-related expenses, or existing mortgage and debt obligations, could be disqualified based on reported income but still not have the capacity to pay.

The program is also available to persons with disabilities. Disability-related costs vary widely and are not fully reflected in taxable income. An income threshold that does not account for these realities risks excluding individuals whose actual capacity to pay property taxes remains limited, even if their income appears moderate on paper.

Most importantly, income testing does not address the issue identified by government, the spread between provincial borrowing costs and the deferment rate.

Option 2: Adjust the Interest Rate

If cost recovery is the stated objective, a more direct and proportionate response would be to adjust the deferment interest rate.

A move from Prime minus 2.0% simple interest to Prime minus 1.0% simple interest would likely resolve most or all of the borrowing-cost gap while preserving the program's structure as a secured public lending mechanism designed to assist financially constrained homeowners.

Recommended Approach

Given the modest scale of the program relative to overall provincial finances and the secured nature of the lending, a modest rate adjustment represents the most proportionate response. It addresses the identified fiscal issue directly, maintains administrative simplicity, and avoids unintended consequences for seniors and persons with disabilities.

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APPENDIX A

Property Tax Pressure Example (Victoria)

Residential mill rates

2023	4.3621
2024	4.7416 (+8.7%)
2025	5.2034 (+9.7%)

*Note these increases do not include any increase in assessed value

Municipal taxes on a home with assessed value of \$1,000,000

2023	\$4,362
2024	\$4,742
2025	\$5,203

After the senior Home Owner Grant (\$845)

2023	\$3,517
2024	\$3,897
2025	\$4,358

Increase: \$840 (24%) over two years

CPP Benefit Indexing

2024	+4.4%
2025	+2.6%
2026	+2.0%

This example illustrates how municipal property tax increases can materially exceed the growth of pension income over short periods of time.

APPENDIX B

Real-World Case Study (2026) Interaction With Retirement Income and Benefits

CPP:

Mr.: \$1,061 per month

Mrs.: not receiving

RRIF withdrawal:

\$6,800 annually

Total non-OAS income:

\$19,532 annually

At this level of income, the couple still qualifies for the Guaranteed Income Supplement (GIS).

If the household withdraws an additional \$4,000 from retirement savings to pay property taxes in Year 1, GIS benefits would be reduced by approximately \$2,000 in the following year (based on a 50% reduction rate).

To replace the lost GIS income, additional withdrawals will be required. Because each additional withdrawal further reduces GIS benefits, the interaction continues.

When fully accounted for, the household will need to withdraw approximately \$8,000 from retirement savings in order to net the \$4,000 required to pay the property tax bill.

This interaction illustrates how property tax obligations can significantly accelerate the depletion of retirement savings for households receiving income-tested benefits.

For households with modest retirement assets, this dynamic can materially shorten the longevity of their savings. For some, the capacity to sustain the required withdrawals may not exist at all.

APPENDIX C

Estimating the Province's Implied Borrowing Cost

British Columbia borrows through bond issuance across multiple maturities.

Approximate recent bond yields

- 2-year: approximately 3.4%–3.7%
- 5-year: approximately 3.6%–3.9%
- 10-year: approximately 3.8%–4.1%

Blended estimate of borrowing cost: approximately 3.8%–4.0%

Working estimate used in this letter: 3.95%

Outstanding loan balance: \$2.336 billion

Estimated spread (regular program): 3.95%–2.95% = 1.0%

Estimated annual fiscal cost (gross) if all at regular program rates: approximately \$23 million

Accounting for higher-rate program components (Families with Children), the estimated net cost could range from \$18–23 million annually.

Relative to approximately \$84 billion in provincial revenue, this represents roughly 0.02–0.03% of revenue, or approximately \$8–10 per BC taxpayer per year.

Estimating the Fiscal Cost of the BC Renter's Tax Credit

The BC Renter's Tax Credit is a refundable personal income tax credit available to one eligible claimant per household.

Credit structure

- Maximum credit: \$400
- Full credit below approximately \$63,000 of individual income
- Phased out between approximately \$63,000–\$83,000 at a rate of 2%

Estimated claimant base

- Total renter households: approximately 700,000
- One claimant per household
- Estimated eligible claimants: approximately 400,000–500,000

Estimated average credit per claimant

- Based on renter-weighted income distribution and phase-out structure
- Estimated average: approximately \$300

Estimated annual fiscal cost

- Lower bound: $400,000 \times \$300 \approx \120 million
- Upper bound: $500,000 \times \$300 \approx \150 million

Estimated annual fiscal cost range: approximately \$120–150 million

Relative to approximately \$84 billion in provincial revenue, this represents roughly 0.14–0.18% of revenue, or approximately \$50–65 per BC taxpayer per year.

APPENDIX D

Real-World Case Study (2019)

A real case encountered in practice illustrates how health events, housing transitions, debt, and the Property Tax Deferment Program can interact for financially vulnerable seniors.

An elderly couple living in a modest home had experienced declining health and had been unable to maintain the property. The situation escalated when the wife suffered a fall and was hospitalized. It was determined that she required long-term care. She was placed temporarily, and needs assessments started for the husband to move into assisted living. They would not be placed together due to differing health requirements.

The couple's combined annual income was approximately \$34,000, including GIS. Over time, they had accumulated roughly \$40,000 in lines of credit while attempting to manage basic expenses.

To avoid a rapid sale of the home to a distressed or predatory buyer, the son, who did not have the financial resources to help, attempted to arrange modest refinancing. The objective was to repay high-interest debt, prepare the home for sale, and cover transitional living costs.

During refinancing discussions, it was discovered that the couple had an outstanding Property Tax Deferment balance of approximately \$39,000. Repayment of the property tax deferment would be required in order to obtain refinancing.

The total required financing was:

- \$39,217 – repayment of lines of credit
- \$6,717 – repayment of credit card
- \$39,485 – property tax deferment balance

Total liabilities: **\$85,419**

In addition to repaying these liabilities, additional funds were required to cover current property taxes, required care costs (long-term care and temporary private assisted living), prepaid cremations (required for long-term care admission), necessary dental treatment that had been neglected, mortgage carrying costs, legal fees associated with arranging the mortgage, and home preparation and transitional expenses during the anticipated sale period.

These were not discretionary expenditures. They reflected unavoidable expenses, facility admission requirements, essential medical costs, and carrying costs during a health-driven housing transition.

The total financing arranged was approximately \$140,000, of which approximately \$54,581 represented new funding required to manage the health-driven housing transition.

Total financing required: **\$140,000**

Although this amount may appear modest, the couple's limited income created a significant barrier. Under standard lending guidelines, their Gross Debt Service ratio could not exceed 32%, or approximately \$906 per month.

At the time (2019), with a variable mortgage rate of approximately 3.25%, projected housing costs were:

- Mortgage payment: \$681 per month
- Property taxes: \$266 per month
- Heating estimate: \$60 per month

Total monthly housing cost: \$1,007

Debt ratio: 35% (above standard lending limits)

The financing was ultimately arranged with considerable difficulty, allowing the home to be properly prepared for sale rather than sold quickly under distressed circumstances.

The couple would have had no ability to begin paying annual property taxes directly, which were approximately \$3,200 per year, and as illustrated above, additional private borrowing was not feasible.

At the time, the deferment interest rate was approximately 1.7%, substantially lower than available mortgage financing.

Under the Prime plus 2% structure, the deferment rate would have been approximately 5.7%, significantly higher than both the previous deferment rate and available mortgage financing.

This case illustrates two important points:

- 1) Homeowners who have relied on the deferment program often cannot simply "switch" to private borrowing if rates increase. Outstanding deferment balances must be cleared as part of refinancing, and lending ratios may already be strained.
- 2) Where conventional borrowing is unavailable, the deferment program may become the only viable source of financing to pay property taxes. At materially higher rates, the Province may effectively become the high-cost lender of last resort for seniors with limited alternatives.

For very low-income households facing health events and forced housing transitions, higher deferment rates would increase financial strain at precisely the time when stability and flexibility are most needed.