COSCO Executive Briefing
BC Property Tax Deferment Program

Background

BC's Property Tax Deferment Program allows eligible homeowners, including seniors 55 and older, surviving spouses, persons with disabilities, and families with children, to defer annual property taxes as a secured loan repaid with interest when the property is sold. The program serves approximately 78,000 households with $2.336 billion in outstanding loans.

Budget 2026 changed the interest structure for new deferrals beginning in 2026 from Prime minus 2% simple interest to Prime plus 2% compounded monthly. Existing balances are grandfathered under the prior structure.

The June 1, 2026 opt-out deadline means homeowners currently enrolled in automatic renewal must act before that date to avoid the new rate.

A group of CFPs and CPAs submitted a formal analysis to Minister Bailey, Premier Eby, and the Seniors Advocate on March 27, 2026. The Seniors Advocate acknowledged receipt and indicated the concerns had been shared internally. The Ministry of Finance has not responded to the submission despite a follow-up on April 10, 2026.

On May 5, 2026, the Ministry provided additional data to the Seniors Advocate's office, which subsequently issued a public news release.

The following observations arise from committee testimony, provincial fiscal projections, the May 5, 2026 data release, and publicly available program information.

1. Cost Recovery

Government stated:

Minister Bailey stated the change is "not a revenue measure" and that the objective is to make the program "cost-recovery, cost-neutral."

The evidence:

Government projections show additional revenue of $11 million in 2026-27, $23 million in 2027-28, and $34 million in 2028-29.

A cost-neutral program would generally be expected to stabilize as older subsidized loans are repaid. These projections instead show increasing revenue over time, suggesting the revised structure is expected to generate a growing return from the participant base.

2. Targeting Higher-Wealth Participants

Government stated:

Bailey stated the change was intended to "push aside people who don't really need it, while keeping it available for those who do."

The evidence:

The rate increase applies uniformly to all 78,000 enrolled households without means-testing.

According to Ministry of Finance data published by the Seniors Advocate on May 5, 2026, the median annual deferral is $3,800 and the average is $5,400.

The difference between the median and average suggests a skewed distribution, where a smaller number of higher-value deferrals increase the average while many participants defer amounts at or below the median. This appears more consistent with modest annual property tax burdens across many BC communities than with widespread high-value borrowing.

As financially flexible participants exit the program, the remaining participants may increasingly consist of households with fewer practical alternatives, while projected provincial revenue continues to rise.

3. Market-Aligned Interest Rates

Government stated:

Bailey stated the new rate “more closely aligns with commercial lending terms” and is “a very competitive rate.”

The evidence:

A comparable commercial product is a home equity line of credit (HELOC), secured against residential property and typically repaid upon sale or refinancing.

Current HELOC rates are approximately Prime plus 0.5%, or roughly 4.95%.

The new deferment structure of Prime plus 2% compounded monthly produces an effective annual rate of approximately 6.64%, approximately 1.7 percentage points higher than typical HELOC pricing for secured borrowing. Variable mortgage rates are currently approximately Prime minus 0.7%, or roughly 3.75%, making the new government deferral rate almost double that of a variable rate mortgage.

Comparisons to reverse mortgages may overstate the competitiveness of the program rate, as reverse mortgages are generally the highest-cost forms of residential borrowing.

4. Empirical Analysis Versus Anecdotal Evidence

Government stated:

Bailey cited “common practice among wealth advisers” and the existence of high-value homes as part of the rationale for restructuring the program.

The evidence:

When asked what studies had been conducted to determine how many participants were using the program for investment arbitrage rather than cash flow support, Bailey stated: “We don’t have access to data on people’s motivations.”

The policy change affecting approximately 78,000 households appears to have proceeded without publicly available empirical analysis quantifying the extent of arbitrage usage, and without consultation with financial professionals or benefit specialists.

5. High-Value Homes or Modest Annual Deferrals?

Government stated:

Bailey described the issue as involving owners of “$10 million, or $20 million, or $30 million, or $40 million” homes using the program for investment arbitrage.

The evidence:

Ministry of Finance data published May 5, 2026, shows a median annual deferral of $3,800 and an average of $5,400.

The total outstanding balance of $2.336 billion across 78,000 households produces an average balance of approximately $29,950 per household.

These figures appear more consistent with incremental annual deferrals for ongoing property tax management than with extensive leverage strategies involving ultra-high-value properties.

For context, based on Victoria’s current mill rate, a $5,000,000 home would generate a one-year property tax bill of approximately $28,279.

The same Ministry data indicates approximately 80% of participants repay within 10 years through sale of the property, which may be more consistent with short- to medium-term cash flow management than long-term investment borrowing.

6. Income Threshold Comparisons

Government stated:

When MLA Peter Milobar asked whether income-testing had been considered, Bailey stated that a household income threshold of $70,000 would exclude approximately 56% of participants from the program (with 44% below $70,000), and characterized $70,000 as relatively high income for this program.

The evidence:

BC’s Renter’s Tax Credit does not fully phase out until approximately $83,000 of individual income.

As a result, a lower income threshold appears to be applied conceptually to homeowners in this program than to renters receiving support through another housing-related benefit.

7. Policy Justification Versus Program Demographics

Government stated:

Bailey justified the rate increase by citing owners of $10-40 million homes using the program for investment arbitrage.

The evidence:

Ministry of Finance data published May 5, 2026, shows the median annual deferral is $3,800.

Based on Victoria’s 2026 residential mill rate of $5.6559 per $1,000, a net annual deferral of $3,800 after the senior Home Owner Grant implies a home assessed at approximately $821,000.

In Nanaimo, where the 2026 total residential mill rate is $7.31181 per $1,000, the same median deferral implies a home assessed at approximately $635,000.

These figures differ substantially from the high-value homes referenced in the public rationale.

On the government’s own static 10-year scenario, with no assumed property tax increases, interest represents approximately 45 cents for every dollar of tax deferred, compared with approximately 13 cents under the prior structure.

This represents a substantial increase in the long-term interest burden associated with the program.

8. Aging in Place and Financial Pressure

Government stated:

The Province has stated a commitment to supporting seniors aging in place in light of increasing pressure on long-term care and assisted living systems.

The evidence:

The government's static scenario does not account for ongoing property tax growth.

Applying a 5% annual property tax increase to the same median deferral amount, conservative relative to recent Victoria increases of 8-10%, the 10-year interest cost rises from approximately $17,000 to approximately $24,000-$25,000, or roughly 48-50 cents per dollar deferred.

Using the same median deferral amount, over 15 years, a senior entering the program at age 68 and remaining until age 83 would accumulate a deferment balance of approximately $144,000, including approximately $53,000 of interest, compared with approximately $12,500-$13,000 under the previous structure.

This produces approximately four times the interest cost over a 15-year horizon.

The Seniors Advocate stated publicly, in the context of seniors needing to sell homes to fund long-term care:

"Many seniors do have to sell their primary residence in order to pay for long-term care, because government has not invested enough in it. Seniors are going into private-pay spaces. How are seniors going to afford to go in there when some of their equity has already been eaten up by interest costs related to property tax deferment?"

Additional Concerns

The income-tested benefit cascade

The Guaranteed Income Supplement (GIS) is recalculated annually based on the prior year's tax return and reduced by approximately 50 cents for each dollar of additional income.

A senior receiving GIS who withdraws $4,000 from their registered retirement savings to pay property taxes may experience a GIS reduction of approximately $2,000 the following year, requiring additional withdrawals to make up the cash flow shortfall and potentially creating a cascading effect.

In this situation, a $4,000 property tax obligation may become an $8,000 cost due to the impact on income-tested benefits.

There is no indication that this interaction was formally modeled before implementation.

The after-tax cost of opting out

At an approximate 22% marginal tax rate, a $5,000 property tax bill requires a gross RRIF withdrawal of approximately $6,667.

If the homeowner opts out of deferring and withdraws funds from retirement savings the province receives additional income tax revenue. If the homeowner remains in the program, the province receives higher compound interest revenue.

There is no indication these broader fiscal interactions were publicly modeled or disclosed.

Simple interest to compound interest

Much public discussion has focused on the rate increase itself.

However, the shift from simple interest to compound interest is also a material structural change. Under the previous structure, interest applied only to the deferred principal. Under the new structure, interest accrues on the growing balance, including prior accumulated interest.

Over longer participation periods, this distinction becomes increasingly significant.

Persons with disabilities

Persons with disabilities are one of the four explicitly eligible groups, yet the public rationale largely focused on wealthy seniors and arbitrage concerns.

Disability-related expenses such as adaptive equipment, home modifications, support workers, and uncovered medical costs may materially reduce disposable income despite moderate reported earnings.

For participants with accessibility-adapted homes, financial pressure leading to sale may create additional housing challenges not faced by the broader population.

Families with children

Families with children are also an eligible group, although public discussion has focused primarily on seniors.

For a young family with a mortgage and children, a $5,000-$6,000 property tax bill may represent a significant affordability issue.

For these households, the program may function primarily as a cash flow support mechanism rather than an investment strategy.

The sandwich generation

Homeowners between ages 55 and 65 have received relatively little public attention in the discussion.

Many are balancing mortgage payments, retirement savings, support for adult children, and financial assistance for aging parents.

Although household income may appear substantial on paper, disposable cash flow may be materially constrained.

Many also renewed mortgages over the past two years at substantially higher rates than prior terms, increasing carrying costs by hundreds of dollars per month.

For these households, the deferment program may represent one of the few available tools for absorbing cash flow pressure without selling the home.

Key Numbers at a Glance

- Enrolled households: approximately 78,000
- Outstanding loan balance: $2.336 billion (2024/25 Public Accounts)
- Average balance per household: approximately $29,950
- Median annual deferral: $3,800 (Ministry of Finance, May 5, 2026)
- Average annual deferral: $5,400 (Ministry of Finance, May 5, 2026)
- Participants repaying within 10 years: approximately 80% (Ministry of Finance, May 5, 2026)
- Annual net cost of program: approximately $19 million (confirmed by Minister Bailey in committee, April 1, 2026)
- Estimated cost per BC taxpayer annually: approximately $8
- Victoria 2026 residential mill rate: $5.6559 per $1,000 — median deferral implies home assessed at approximately $821,000
- Nanaimo 2026 residential mill rate: $7.31181 per $1,000 — median deferral implies home assessed at approximately $635,000
- New effective annual rate: approximately 6.64% (Prime plus 2% compounded monthly)
- Equivalent HELOC rate: approximately 4.95% (Prime plus 0.5%)

• Variable mortgage rate: approximately 3.75% (Prime minus 0.7%)
• Interest as share of deferred taxes under government’s 10-year scenario: approximately 45 cents per dollar deferred
• Interest as share of deferred taxes with 5% annual property tax growth: approximately 48-50 cents per dollar deferred
• Estimated interest cost over 15 years versus previous structure: approximately four times higher (approximately $53,000 versus approximately $12,500-$13,000)
• Projected additional revenue: $11 million (2026-27), $23 million (2027-28), $34 million (2028-29)
• Opt-out deadline: June 1, 2026