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Value of first-time homebuyer tax credit "should be revisited," RESCON says

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With a growing recession underway, a new first-time home buyer incentive in the recent federal budget might not be incentive enough, says a Residential Construction Council of Central Ontario (RESCON) official.

"The tax credit can be an effective approach," explains Richard Lyall, president of RESCON. "However, a \$750 tax credit is a very small number. I think they are being cautious there and that should be revisited."

Included in the federal government's \$40 billion economic action plan was \$7.8 billion for housing construction and renovation. Among the stimulus measures for housing construction was a new First-Time Home Buyers' Tax Credit which will provide up to \$750 in federal tax relief when purchasing a first home. Lyall noted that in the United States there is a tax credit of up to \$7,500 available to a first-time home buyer.

"We will monitor it and see what happens with the market," added Lyall.

A temporary Home Renovation Tax Credit of up to \$1,350 for home renovations and alterations was also introduced.

The government intends for this credit to be an incentive for Canadians to take on renovation projects or accelerate planned projects to help boost activity in the housing construction sector.

The government estimates that about 4.6 million Canadian families could benefit from the credit.

"They are trying to get money out into the system as quickly as possible, so that is understandable" said Lyall. "They want to get people working and spending."

The budget also proposed that Ottawa can reduce the typical federal approval process by 12 months through changes to the Fisheries Act and the Navigable Waters Protection Act. Streamlining an environmental process at the federal end will certainly help, adds Lyall. “There is a real opportunity here to look at so much of the fat in the system that has not been looked at.”

Other measures included in the government’s \$7.8 billion cash boost for housing construction are:

- \$2 billion over two years in low-cost loans to municipalities to improve housing-related infrastructure such as sewers, water lines, and neighbourhood regeneration projects.
- \$1 billion over two years for renovation and energy retrofits to social housing.
- \$400 million over two years to build housing for low-income seniors.
- \$300 million over two years for renovation to the ecoENERGY Retrofit program.
- \$200 million over two years to support social housing in the Yukon, Northwest Territories and Nunavut.
- An increase to the Home Buyers’ Plan withdrawal limit to \$25,000 from \$20,000 to help first-time home buyers.