

SUBJECT: Private Members Bill C-323
An Act to Amend the Income Tax Act (rehabilitation of historic property)

PREPARED BY: Regan Hutcheson, Manager, Heritage Planning, ext 2080

RECOMMENDATION:

- 1) That the staff report entitled "Private Members Bill C-323 An Act to Amend the Income Tax Act (rehabilitation of historic property), dated April 10, 2017, be received; and
- 2) Whereas the City of Markham is a leader in the heritage conservation movement in Canada and a strong advocate for programs and initiatives that will assist in the protection and enhancement of its local cultural heritage resources; and

Whereas a heritage tax credit incentive through the Income Tax Act to encourage and assist in the rehabilitation of protected heritage buildings will assist owners of these properties as well as benefit all Canadians, especially as Canada celebrates its 150th anniversary as a country; and

That Markham Council offers its support in requesting that Parliament adopt Bill C-323 An Act to Amend the Income Tax Act (rehabilitation of historic property); and

- 3) That this resolution be sent to the following individuals:
 - Hon. Catherine McKenna, Minister of the Environment
 - Hon. William Morneau, Minister of Finance
 - Hon. Bob Saroya, Member of Parliament, Markham-Unionville
 - Hon. Jane Philpott, Member of Parliament, Markham-Stouffville
 - Office of the Member of Parliament, Markham-Thornhill
 - Nathalie Bull, Executive Director, National Trust
- 4) That Staff be authorized and directed to do all things necessary to give effect to this resolution.

PURPOSE:

The purpose of this report is to provide information on Private Members Bill C-323 An Act to Amend the Income Tax Act (rehabilitation of historic property) and recommend that Markham Council support this initiative.

BACKGROUND:**Bill introduced to assist owners of heritage properties with restoration costs**

On December 1, 2016, a Private Members Bill was introduced in the Canadian House of Commons to amend the *Income Tax Act* in order to provide assistance for the rehabilitation of historic properties. The Bill would create a tax credit for restoration work and is designed to support those who invest in Canada's cultural heritage resources. According to the sponsor of

the Bill, the Hon. Peter Van Loan, Canadian citizens who maintain heritage buildings and undertake costly renovation and restoration work assume a considerable private burden from which all members of the public benefit.

Markham Council has requested further information

At the February 6, 2017 meeting of General Committee, staff was requested to provide further information on the Private Member's Bill C-323.

Two key components of the proposed legislation

Bill C-323 includes the creation of:

- A 20% tax credit on eligible costs for rehabilitation work done to a building that is designated as a historic place; and
- An accelerated Capital Cost Allowance (25%/50%/25%) for eligible capitalized costs incurred under the same conditions of the tax credit

A 'historic place' for the purposes of this legislation is defined as a property on the Canadian Register of Historic Places, a pan-Canadian listing of designated properties across Canada of local, provincial, territorial and national significance. Any designated property is eligible to be listed on the national Registrar, but must be nominated to the list by the Provincial Registrar with the required Statement of Significance documents.

Eligible costs under the provisions of the Bill are defined as costs that are construction related, professional and development fees, administrative and prescribed costs, and site improvement costs related to the character defining elements of the property, but do not include costs for property acquisition, furnishing or for aesthetic or cosmetic purposes. Rehabilitation work is defined as work completed in accordance with the "Standards and Guidelines for the Conservation of Historic Places in Canada" and must be certified by a registered professional architect licensed to practice in Canada.

The accelerated Capital Cost Allowance is a tax mechanism that permits the deduction of taxable capital expenditures (capitalized costs) in a regularized fashion. For the purposes of this Bill, this means that costs which are capitalized in nature are eligible for a three year (25%, 50%, 25%) per year deduction, so that after three years, the entire value of the capitalized costs have been deducted.

OPTIONS/ DISCUSSION:**Assistance for heritage properties and restoration work is supported**

The National Trust of Canada (formerly the Heritage Canada Foundation) is encouraging all Canadians to support this initiative. The Trust notes that the measures included in Bill C-323 are inspired by the successful, long-running US Federal Historic Tax Credit Program. This program has seen \$23.1 billion in federal credits generate more than \$28.1 billion in additional federal tax revenue and leverage over \$120.8 billion in private investment – a 5 to 1 ratio of private investment to tax credits. Funded projects have in turn created 2.4 million jobs, preserved 41,254 historic properties, and created over 525,000 housing units, including 27% for low/moderate income families.

The National Trust states that the measures included in Bill C-323 have the potential to achieve the same success as the American program, broadly affecting homeowners and the development/construction industry, and positively impacting the economy, job creation and carbon reduction.

The National Trust believes these two tax measures would transform the economic fundamentals for renewing historic places, and would encourage building conservation of every size and type, from landmark commercial buildings to modest homes.

On March 7, 2017, the Council for the City of Kingston indicated its support for adoption of this initiative and has requested that other municipalities consider adding their support.

Markham should lend its support for the Bill

Given the City of Markham's strong leadership role in the heritage conservation movement in Canada, including being the first municipality in Canada to receive the Prince of Wales Prize for stewardship of its heritage resources, it is recommended that Council lend its support for this initiative.

FINANCIAL CONSIDERATIONS

The proposed changes would have no impact on municipal tax revenues as it applies to income tax.

HUMAN RESOURCES CONSIDERATIONS

Not applicable

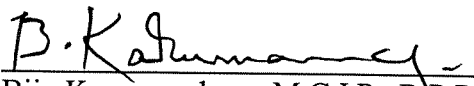
ALIGNMENT WITH STRATEGIC PRIORITIES:

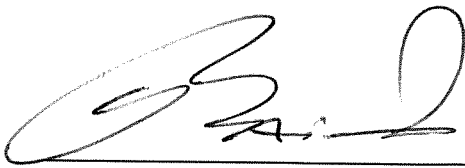
The program would support the City's strategic focus on the environment as building renewal and re-use capitalizes on materials and energy already invested, reduces construction and demolition waste, and avoids environmental impact associated with new development. According to the National Trust, a recent study shows that it takes from 10-80 years for a new "green" building to make up for the negative climate change impacts on its construction.

BUSINESS UNITS CONSULTED AND AFFECTED:

Heritage Section, Heritage Markham Committee

RECOMMENDED BY:


Biju Karumanchery, M.C.I.P., R.P.P.
Director of Planning & Urban Design


Jim Baird, M.C.I.P., R.P.P.
Commissioner of Development Services

ATTACHMENTS:

Appendix 'A' Bill C-323 First Reading, December 1, 2016

First Session, Forty-second Parliament,
64-65 Elizabeth II, 2015-2016

HOUSE OF COMMONS OF CANADA

BILL C-323

An Act to amend the Income Tax Act
(rehabilitation of historic property)

FIRST READING, DECEMBER 1, 2016

Première session, quarante-deuxième législature,
64-65 Elizabeth II, 2015-2016

CHAMBRE DES COMMUNES DU CANADA

PROJET DE LOI C-323

Loi modifiant la Loi de l'impôt sur le revenu
(réhabilitation de propriétés historiques)

PREMIÈRE LECTURE LE 1^{ER} DÉCEMBRE 2016

MR. VAN LOAN

M. VAN LOAN

SUMMARY

This enactment amends the *Income Tax Act* to establish a tax credit for expenses related to the rehabilitation of a historic property. It also establishes a tax deduction for the capital cost of property used in the course of such a rehabilitation.

SOMMAIRE

Le texte modifie la *Loi de l'impôt sur le revenu* afin d'établir un crédit d'impôt visant les dépenses engagées pour la réhabilitation d'une propriété historique. Il établit en outre un crédit d'impôt visant le coût en capital des biens utilisés dans le cadre d'une telle réhabilitation.

BILL C-323

An Act to amend the Income Tax Act (rehabilitation
of historic property)

R.S., c. 1 (5th Supp.)

Her Majesty, by and with the advice and consent
of the Senate and House of Commons of Canada,
enacts as follows:

**1 The *Income Tax Act* is amended by adding the
following after section 127:**

Definitions

127.01 (1) The following definitions apply in this sec-
tion and in section 127.02.

conservation standards means the standards and
guidelines for the conservation of historic places in
Canada adopted and applied by the Parks Canada Agen-
cy. (*normes de conservation*)

historic property means a building or other place that is

(a) commemorated or marked as a historic place un-
der section 3 of the *Historic Sites and Monuments*
Act;

(b) designated as a heritage or historic site or property
under the laws of a province that the Minister, in con-
sultation with the Minister responsible for the Parks
Canada Agency, designates as having a purpose simi-
lar to that of the *Historic Sites and Monuments Act*; or

(c) listed on the Canadian Register of Historic Places,
as administered by the Parks Canada Agency. (*pro-
priété historique*)

rehabilitation expenses means the costs incurred by a
taxpayer in a particular taxation year in the course of re-
habilitating a historic property that are

(a) construction costs,

(b) professional fees,

PROJET DE LOI C-323

Loi modifiant la Loi de l'impôt sur le revenu (réhabili-
tation de propriétés historiques)

L.R., ch. 1 (5^e suppl.)

Sa Majesté, sur l'avis et avec le consentement du
Sénat et de la Chambre des communes du Canada,
édicte :

**1 La *Loi de l'impôt sur le revenu* est modifiée par
adjonction, après l'article 127, de ce qui suit :**

Définitions

127.01 (1) Les définitions qui suivent s'appliquent au
présent article et à l'article 127.02.

fraction inutilisée À l'égard d'une propriété historique
pour une année d'imposition, le montant obtenu par la
formule suivante :

A - B

où :

A représente le montant du crédit d'impôt pour la ré-
habilitation que le contribuable avait le droit de dé-
duire pour l'année d'imposition précédente;

B le montant du crédit d'impôt pour la réhabilitation
que le contribuable a déduit pour cette année d'im-
position. (*unused portion*)

frais de réhabilitation Les dépenses ci-après engagées
par le contribuable au cours d'une année d'imposition
donnée dans le cadre de la réhabilitation d'une propriété
historique :

a) le coût de construction;

b) les honoraires professionnels;

c) les frais d'assurance;

d) les frais applicables aux demandes d'aménage-
ment;

e) les frais d'administration;

(c) insurance costs,

(d) development fees,

(e) administrative costs,

(f) site improvement costs related to the character-defining elements of the property, or

(g) prescribed costs,

but does not include costs for the acquisition of the historic property, costs to furnish it or costs incurred solely for aesthetic or cosmetic purposes. (*frais de réhabilitation*)

rehabilitation tax credit, in respect of a historic property for a taxation year, means the amount not exceeding 20% of the amount, if any, by which

(a) a taxpayer's rehabilitation expenses for the year exceeds

(b) any amount of *government assistance*, as defined in subsection 127(9), that, at the time of the filing of the taxpayer's return of income for the taxation year, the taxpayer has received, is entitled to receive or can reasonably be expected to receive, in respect of the rehabilitation expenses for the historic property, in the taxation year. (*crédit d'impôt pour la réhabilitation*)

unused portion, in respect of a historic property for a taxation year, is the amount determined by the formula

$$A - B$$

where

A is the amount of the rehabilitation tax credit that the taxpayer was entitled to deduct for the previous taxation year; and

B is the amount of the rehabilitation tax credit that the taxpayer deducted in that taxation year (*fraction inutilisée*)

Deduction

(2) A taxpayer may, in respect of a historic property that they own, deduct from the tax for the year otherwise payable under this Part an amount not exceeding the total of the rehabilitation tax credit for the taxation year and any unused portion if an architect authorized to practise the profession of architect in Canada certifies

f) le coût d'améliorations du site visant les éléments caractéristiques de la propriété;

g) les frais prévus par règlement.

La présente définition exclut les coûts d'acquisition de la propriété historique, ceux de l'ameublement ou ceux de travaux ayant uniquement un but esthétique ou cosmétique. (*rehabilitation expenses*)

crédit d'impôt pour la réhabilitation À l'égard d'une propriété historique pour une année d'imposition, somme n'excédant pas 20 % de l'excédent éventuel de la somme visée à l'alinéa a) sur celle visée à l'alinéa b) :

a) les frais de réhabilitation d'un contribuable pour l'année;

b) au moment de la production de la déclaration de revenu du contribuable pour l'année d'imposition, toute somme qu'il a reçue, est en droit de recevoir ou peut vraisemblablement s'attendre à recevoir à titre d'*aide gouvernementale* au sens du paragraphe 127(9) à l'égard des frais de réhabilitation de la propriété historique pour l'année d'imposition. (*rehabilitation tax credit*)

normes de conservation Les normes et lignes directrices pour la conservation des lieux patrimoniaux au Canada adoptées et appliquées par l'Agence Parcs Canada. (*conservation standards*)

propriété historique Bâtiment ou autre endroit qui :

a) soit est commémoré ou signalé comme un lieu historique en vertu de l'article 3 de la *Loi sur les lieux et monuments historiques*;

b) soit est désigné comme étant une propriété ou un site historique ou patrimonial en vertu des lois d'une province que le ministre, en consultation avec le ministre responsable de l'Agence Parcs Canada, désigne comme ayant un objet semblable à celui de la *Loi sur les lieux et monuments historiques*;

c) soit figure dans le Répertoire canadien des lieux patrimoniaux géré par l'Agence Parcs Canada. (*historic property*)

Déduction

(2) Un contribuable peut, à l'égard d'une propriété historique lui appartenant, déduire de l'impôt à payer ailleurs par lui en vertu de la présente partie pour l'année un montant n'excédant pas la somme du crédit d'impôt pour la réhabilitation et de toute fraction inutilisée si un architecte habilité à exercer la profession d'architecte au

that the rehabilitation of the historic property was carried out in accordance with conservation standards.

Canada atteste que la réhabilitation de la propriété historique a été réalisée en conformité avec les normes de conservation.

Limitation

(3) No amount may be deducted under subsection (2) for a taxation year that begins more than 10 years after the first taxation year for which the taxpayer deducted an amount for the rehabilitation tax credit in respect of the historic property.

Limite

(3) Aucun montant ne peut être déduit en vertu du paragraphe (2) pour une année d'imposition qui commence plus de dix ans après la première année d'imposition pour laquelle le contribuable a déduit un montant au titre du crédit d'impôt pour la réhabilitation à l'égard de la propriété historique.

Capital cost — rehabilitation of historic property

127.02 (1) In computing a taxpayer's income for a taxation year, there may be deducted a portion of the capital cost to the taxpayer of property used in the course of rehabilitating a historic property for which the taxpayer may deduct an amount for the rehabilitation tax credit under section 127.01 if

(a) no amount is deducted by the taxpayer in relation to the property under paragraph 20(1)(a); and

(b) the taxpayer did not receive assistance, whether as a grant, subsidy, forgivable loan, deduction from tax, investment allowance or as any other form of assistance, from a government, municipality or other public authority in respect of, or for the acquisition of, the property.

Coût en capital — réhabilitation de propriétés historiques

127.02 (1) Si les conditions ci-après sont réunies, est déductible dans le calcul de l'impôt à payer par un contribuable pour une année d'imposition une fraction du coût en capital, pour le contribuable, d'un bien utilisé dans le cadre de la réhabilitation d'une propriété historique à l'égard de laquelle le contribuable a droit à un crédit d'impôt pour la réhabilitation au titre de l'article 127.01 :

a) le contribuable ne déduit aucun montant au titre du bien en vertu de l'alinéa 20(1)a);

b) il n'a reçu, à l'égard du bien ou pour son acquisition, aucune aide d'un gouvernement, d'une municipalité ou d'une autre administration sous forme de prime, de subvention, de prêt à remboursement conditionnel, de déduction de l'impôt ou d'allocation de placement ou sous toute autre forme.

Amount

(2) The amount that may be deducted under subsection (1) must not exceed the following percentage of the capital cost of the property for the taxation year in which the property was used by the taxpayer for the rehabilitation:

(a) 25% for the first taxation year;

(b) 50% for the second taxation year; and

(c) 25% for the third taxation year.

Montant déductible

(2) Le montant déductible au titre du paragraphe (1) ne peut dépasser le pourcentage ci-après du coût en capital du bien pour l'année d'imposition au cours de laquelle le bien a été utilisé par le contribuable pour la réhabilitation :

a) pour la première année d'imposition, 25 %;

b) pour la deuxième, 50 %;

c) pour la troisième, 25 %.

Application

2 (1) Sections 127.01 and 127.02 of the *Income Tax Act*, as enacted by section 1 of this Act, apply to taxation years that begin on or after January 1 of the year following the year in which this Act receives royal assent.

(2) For the first taxation year to which subsection 127.01(1) of the *Income Tax Act*, as enacted by section 1 of this Act, applies, the reference to "in a

Application

2 (1) Les articles 127.01 et 127.02 de la *Loi de l'impôt sur le revenu*, édictés par l'article 1 de la présente loi, s'appliquent aux années d'imposition commençant après le 31 décembre de l'année de la sanction de la présente loi.

(2) Pour la première année d'imposition à laquelle s'applique le paragraphe 127.01(1) de la *Loi de l'impôt sur le revenu*, édicté par l'article 1 de

particular taxation year”, in the definition *rehabilitation expenses* in that subsection, is to be read as “in a particular taxation year and in the previous taxation year”.

la présente loi, la mention « au cours d’une année d’imposition donnée », dans la définition de *frais de réhabilitation* à ce paragraphe, vaut mention de « au cours d’une année d’imposition donnée et de l’année d’imposition précédente ».

5