



March 1, 2010

Linda Lizotte-Macpherson
Commissioner
Canada Revenue Agency
555 MacKenzie Avenue
Ottawa ON K1A 0L5

Re: PBO Information Request 021

Dear Ms. Lizotte-Macpherson:

Pursuant to statutory authority granted to me under section 79.3(1) of the *Parliament of Canada Act*, I am requesting aggregated data your department holds that would assist in preparing a cost estimate of potential amendments to the *Income Tax Act (ITA)*, which are outlined below.

As you are aware, the ITA stipulates that if rental buildings are disposed of for greater than their original cost, owners must pay full income tax on the difference between the original cost and depreciated value, as well as capital gains tax on the difference between the sale price and original cost. I have been asked to estimate the cost of allowing owners of residential rental properties to defer federal capital gains tax arising from disposition, provided that the proceeds are reinvested in another residential rental property within a certain period of time.

I have attached a list of specific data that I am requesting in Annex A.

Thank you for your attention to this matter. Please let us know if any part of this request requires clarification.

Yours truly,

A handwritten signature in black ink that reads 'Kevin Page'.

Kevin Page
Parliamentary Budget Officer
Email: PageK@parl.gc.ca

Encl.

c.c.: Rick Stewart, Assistant Secretary to the Cabinet, Privy Council Office, Liaison Secretariat for Macroeconomic Policy



PBO Information Request

1) Request Number:	021
2) PBO Contact Name:	Jason Jacques (613-995-3315 or jacquj@parl.gc.ca)
3) Type of Request:	One-time
4) PBO Objective:	To estimate the fiscal impact of creating a roll-over provision in the <i>Income Tax Act</i> to defer capital gains and amortization recapture that arises from disposal of multi-unit residential buildings.
5) Relation to Mandate:	The PBO is mandated to cost proposed legislation, when requested by parliamentarians or Committees.
6) Information and Data Requested:	Aggregated summary data collected on annual T1 and T2 tax forms regarding the incidence of capital gains and amortization recapture that arises from disposal of multi-unit residential buildings (see attached Annex for details).
7) Priority:	Normal
8) Date Request Sent:	March 1, 2010
9) Response Required By:	March 22, 2010

Annex A: Detailed Data Request

Part 1: T1 Data (Individuals)

For the tax years 1995, 2000, 2005, 2006, 2007 and 2008:

I. Incidence of Tax Payable on Capital Gains

- a) Total potential tax payable arising from capital gains on real property sold during the relevant tax years (total number of filers reporting and total dollar value).
- b) The results from (a), but screened to only include taxpayers that also have gross rental income greater than \$10,000 during the same tax year.
- c) The results from (a), but screened to only include taxpayers that also have net positive rental income during the same tax year.
- d) Applying the screens in (b) and (c) together.
- e) Total capital and business losses reported by taxpayers that could potentially be offset against tax payable reported in (b), (c) and (d).

II. Incidence of Tax Payable on Capital Cost Allowance Recapture

Repeat the calculations in the previous section, but for capital cost allowance recapture.

III. Distribution of Capital Gains by Age and Income

Present the distribution of capital gains arising from realized property gains by age of taxpayer (5 year increments, starting at 25 ending at 90), as well as income class (income from all sources before deductions, \$10,000 increments, starting at \$20,000 and ending at \$150,000).

Part 2: T2 Data (Corporations)

For the tax years 1995, 2000, 2005, 2006, 2007 and 2008:

IV. Incidence of Tax Payable on Capital Gains

- a) Total reported real estate rental income (total number of filers reporting and total dollar value)
- b) The results from (a), but screened to only include all types of property for real estate rental companies.
- c) The results from (a), but screened to only include reported real estate income for all other companies.

- d) Total capital and business losses reported by corporations that could potentially be offset against tax payable reported in (b) and (c).

V. Incidence of Tax Payable on Capital Cost Allowance Recapture

Repeat the calculations in the previous section, but for capital cost allowance recapture.

VI. Distribution of Capital Gains by Income

Present the distribution of capital gains arising from realized property gains by income class (income from all sources before deductions, \$100,000 increments, starting at \$100,000 and ending at \$1,000,000).