



Department of Finance
Canada

Ministère des Finances
Canada

Deputy Minister

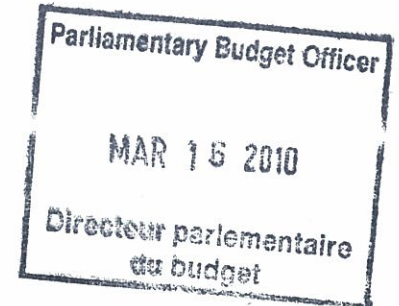
Sous-ministre

Ottawa, Canada
K1A 0G5

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Mr. Kevin Page
Parliamentary Budget Officer
Office of the Parliamentary Budget Officer
Library of Parliament
Ottawa, ON K1A 0A9



Dear Mr. Page:

I am writing in response to your letter of January 29, 2010, in which you request data and information the Department of Finance holds regarding potential amendments to the *Income Tax Act (ITA)* that would "allow owners of residential rental properties to defer federal capital gains tax arising from disposition, provided that the proceeds are reinvested in low-cost residential rental property within a certain period of time".

Developing a cost estimate for the potential *ITA* amendment you are referring to requires detailed information on the design features of the measure. For example, the cost to the Government would depend on how "low-cost residential rental property" is defined and the length of time an individual or corporation would have to reinvest proceeds into an eligible property.

That being said, the Department estimates that in 2008 a total of \$20 billion in capital gains were realized on dispositions of real estate by corporations and individuals, providing about \$2.4 billion in personal and corporate income tax revenues. For illustrative purposes, this could suggest, as a starting point in an exercise to cost potential changes to current capital gains rules, that every \$1 billion of capital gains deferred as a result of this measure would result in a deferral of about \$120 million in federal tax revenues.

Yours sincerely,

Michael Horgan
Deputy Minister of Finance