



Brian Blackmere, President
WRHBA 2009-2010

HST, Renovation, the Underground Economy and YOU!

The Federal Government made a colossal error in judgement when they determined that they simply can't afford to extend the Home Renovation Tax Credit (HRTC) program that ended in February. This program was amazingly successful in providing support to the renovation sector and at the same time dealing a very real blow to the underground economy...to top it off, it also put previously unrealized revenue into government coffers since people were looking for receipts, and thereby paying taxes, to validate their tax credit.

The Federal government certainly should be commended for instituting the HRTC at a much needed time in the economic cycle but they should quickly acknowledge its negative effect on the proliferation of underground cash transactions. Their position is understandable, to a point, since both Federal and Provincial governments are staring at the record deficits resultant from their proactive battle against the recently subdued recession. Finance Minister Flaherty cited that the program cost \$3 billion dollars and was therefore too costly to extend; but no one calculated the additional offsetting tax revenue delivered to the government as a result of the program! I, for one, would like to know the "net" cost of this program – a piece of information that will likely tell us it should have remained in place.

The underground economy is another compelling reason that the HRTC should have at least been extended. Those of us working in the industry know that there will be a huge surge in "off-the-record" transactions after the HST comes into place on July 1st of this year.

The underground economy already leeches "**BILLIONS**" of tax revenue dollars every year; funds that I believe could be put to good use by government to more quickly reduce the deficits racked up while dealing with the recession. For some strange reason, both Federal and Provincial politicians are inexplicably cool to any ideas that the Home Building and renovation sectors have presented that would launch a meaningful and permanent attack on the underground economy. Those consumers who are so inclined should take a

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moment and let your MP and MPPs know that this issue is of concern to you as one of their constituents. They really do want to hear from you on this issue.

The Federal government will need to take the lead since changes to the Tax Act will be required but they must also work in concert with the Province to institute a regime that accomplishes two things. First, to put in place a permanent renovation tax incentive program structured to promote legitimate renovations and, second, to strike a task force to devise and put in place a long term plan of attack against underground economic activity.

In the meantime, anyone who is in the market to buy a new home or to engage renovation work should bear in mind that it is in your long term interest to deal only with legitimate, properly insured and licensed building and renovation firms even after the HST comes into place this July. If you do, you can be assured that a contract will be presented that outlines performance requirements, ensures that homeowner liability is properly addressed, properly insures workers and provides you recourse in the event of a dispute. These benefits far outweigh any “discount” that might be offered to you by an under the table contractor. For more information you should visit the “Get it in Writing” website at www.hiringcontractor.com. This site explains the benefits of dealing with a professional contractor versus the many pitfalls you court with an under-the-table dealer. Be careful and be safe.

WRHBA is actively involved in all facets of the new home construction and residential renovation industries. It is a voluntary association whose primary goal is to positively impact the communities where their members and their customers live, work and play. Through ongoing representation to municipal government, media relations and consumer education, they address important issues head on and have a strong presence that benefits members and contributes to housing affordability and the well-being of communities in the Region of Waterloo. Visit www.wrhba.com for further association information.

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