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## Condo managers decry HST

'Extra Burden'

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Condominium managers have joined the queue of disgruntled taxpayers in their bid to find ways to soften the blow of the harmonized sales tax (HST) on operating costs and condo fees. In a recent standing-room-only ACMO (Association of Condominium Managers of Ontario) luncheon at the Richmond Hill Country Club, members gathered with the intent of taking keynote speaker Yasir Naqvi, MPP Ottawa Centre and Parliamentary Assistant to the Minister of Revenue, to task in a public forum.

While contractors and maintenance spokespeople were keen to address the added costs associated with delivering services, others considered the Condominium Act reserve fund requirements to be an even bigger concern. "For managers, HST is a double whammy," said John Belford, president of Caber Management Service Inc. in Bramalea. "As we're playing catch-up to meet the reserve fund deadline, it's just one extra burden that [non-condo]homeowners don't have to worry about."

The new Condominium Act stipulates that reserve funds must be adequate within 10 years of the first reserve fund study. This means that condominiums registered prior to May 5, 2001 are required to have their studies completed and funds "topped up" by 2011. The Act also requires that condominiums registered after May 5, 2001 correct any deficiency in the reserve in the fiscal year following the year of the study that identifies that deficiency.

The sticking point for ACMO members is the fact that HST will change operating and reserve fund numbers significantly, which will ultimately add pressure on owners. As John Warren, a partner with Adams & Miles LLP Chartered Accountants in Toronto noted in his address: "Almost all operating costs are expected to go up 6% to 7% for example. So if you have a \$1-million budget, you're already \$60,000 to \$70,000 short. How can we deal with that shortfall?"

ACMO president Chris Antipas says that unless something can be done, these added costs will be passed on to owners. "Both these issues will certainly affect owners, since the only source of revenue for condominium corporations is monthly maintenance fees. Depending on the corporation, that could mean anywhere from a 6.5% to 8% increase. This is already happening as the 2010 budgets are getting finalized."

He reports that ACMO and CCI Canadian Condominium Institute are actively setting up meetings with government to come up with some solutions to lessen the impact. Some options proposed for consideration include tax exemptions with a graduated implementation. Alternatively, extending reserve fund compliance would provide the cushion needed to meet the larger shortfall.

No answers were provided by Mr. Naqvi during his keynote address, which focused mainly on the impact of tax credits on consumers and the billions of dollars of tax relief expected to be generated by the HST implementation. These assertions did little to satisfy members attending the event; and while ACMO is engaged in discussions with government, it is clear that harmonization issues surrounding maintenance fees and reserve funds will remain contentious over the near term.

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