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HEATING AIR CONDITIONING PLUMBING GEOTHERMAL
HEAT PUMPS SHEET METAL

March 7, 2022

Honourable Selina Robinson

Minister of Finance,

Parliament Buildings,

Victoria, British Columbia V8V 1X4

Sent via electronic mail to: FIN.Minister@gov.bc.ca

Re: Provincial Sales Tax on Fossil Fuel Combustion Systems and Heat Pumps

Minister Robinson,

As a long time, heating and cooling contractor located in Kamloops BC, I am writing you to express my concerns about the recently announced changes to the Provincial Sales Tax on some of the core products of our industry – fuel burning appliances and heat pumps.

In the past 35 years our company has installed many 100's if not into the 1000's of heat pumps. Majority of these are dual fuel systems, that is a split heat pump with a fuel furnace for supplemental heat and to move the air throughout the space. The remainder have been geothermal and mini split systems. Many of these systems were installed with the financial assistance to the end user, of the rebate programs that were available in the day including the current CleanBC program.

I was very disappointed, that the Province would introduce tax measures that will affect my industry so significantly without it seems, any consultation and input not only from my industry but CleanBC and tax experts. The new measures raise many questions on just how much thought went into your new tax plan and I would like to raise the following points

1-The new tax changes are not transparent. A hidden tax increase on fossil fuel equipment doesn't create awareness of the need to change away from fossil fuel equipment. It only increases the cost on the equipment. It just becomes one more price increase in an industry that has seen as many as 16 price increases in the last 5 years. Removing the PST on heat pumps by 7% only helps nullify the last price increase we received January 1st of 7-9%, and that is rumored to have another price increase from manufactures in June. The end purchaser doesn't even see the PST tax paid on these goods as it exempt as a real property improvement and becomes part of "cost of goods" to the contractor.

2-Reducing the PST on heat pumps doesn't promote the CleanBC program. Because you are only reducing the tax mid-stream on the heat pump it has no marketing advantage to the end consumer. If

the goal is to incentive consumers to switch to heat pumps, prop up the rebate amounts and give the marketing teams something to work with.

3- This new tax change can't be tracked or measured. If you can't do that, how do you know if it is successful?

4-The changes to the tax rules have created a new tax at 12%. Many software systems can't do a third tax line. To give us five weeks, (now three) to implement this is evident that the Province doesn't have a firm grasp on how business accounting is done or accounting software works.

5- The program has one item being taxed at three different rates dependent on the appliance being purchased. The example I have given the PST question team is that under the new tax rules, a thermostat can be charged three different taxes. 12% if purchased with a furnace, 0% if purchased with a heat pump and 7% if purchased on its own. Can this be any more confusing and a logistical nightmare?

6- Increasing the tax on fossil fuel equipment that does not have a viable alternative is unfair. As the new tax rules include all fossil fuel systems a large roof top unit on an office building, a commercial water heater for a restaurant a boiler for an apartment building or a unit heater for a warehouse would all see a price increase. Even if they are switching to a high efficiency unit that would receive Fortis rebates, it will be taxed at the new 12% price.

7- Switching to heat pumps can be a lengthy and expensive process. Issues with supply chain, electrical panel and breaker shortages, electrical service upgrade costs, BC hydro distribution limitations and labor shortages are all factors. Incentives with rebate programs help with planning of switch overs. Many gas heating appliances are replaced due to failure or age. Just increasing to costs in the supply chain will have little desired impact toward the end goal. Incentives towards planned upgrades will.

It is my understanding that the Provincial Government is already aware of some of the problems that the new tax is causing and is trying to address them prior to the implication date of April 1st, 2022. I implore you to scrap this new tax plan completely and not try to fix what is obviously a poorly thought-out plan. Instead, start again, define what the end goals are, give us a positive message we can use in marketing, have metrics to track success and work with industry to achieve those goals.

Yours sincerely,

Steve Warner

President