

March 21, 2007

**President:**

Dorothy Mason, FRI, CRB

His Worship Mayor David Miller  
City of Toronto  
Toronto City Hall  
100 Queen Street West  
Toronto, Ontario  
M5H 2N2

**President Elect:**

Donald Bentley

**Past President:**

John W. Meehan

Open letter regarding potential new home buying tax

Dear Mayor Miller,

**Directors:**

Deborah A. Abraham, MVA

Ron Abraham, AACI, FRI, CRB

Paul F. Etherington

Heather A. Fuller

Ann Hannah

William (Bill) Johnston, M.A., LL.B

Tom Lebour, MVA

Michael Manley

Ken McLachlan

Rosalind Menary

Maureen O'Neill, B.A.

Ron Ridsdill

Joseph C.W. Shum

The Toronto Real Estate Board's (TREB) 25,000 REALTOR® members are concerned about possible new municipal taxes that homeowners could face in the City of Toronto. Specifically, a potential Toronto land transfer tax, levied on top of the existing provincial land transfer tax, could have serious consequences.

### Double Whammy

It is important to point out that a Toronto land transfer tax would be levied on top of the existing provincial land transfer tax. Put another way, this would be like telling a consumer that they have to pay the GST twice every time they go to the cash register.

As the City's discussion paper notes, there is limited experience with other municipalities that charge a land transfer tax. However, the City's discussion paper fails to point out that in some of these municipalities there is no provincial/state land transfer tax, meaning that the homebuyer is not faced with a double whammy of land transfer taxes, as is being considered in Toronto.

### Significant Cost

The existing provincial land transfer tax is already a heavy burden for homebuyers and a Toronto land transfer tax would exacerbate this. For example, the average homebuyer in Toronto already has to pay a provincial land transfer tax of approximately \$4,200 (on the averaged priced Toronto home in 2006 based on TREB MLS® statistics), in full at the time of closing. This means that a Toronto land transfer tax of 0.5%, as noted in the City's discussion paper, would mean close to an additional \$1900 in land transfer taxes for an average Toronto homebuyer, which represents an additional 45% of land transfer taxes. Even a Toronto land transfer tax of 0.1% would represent close to an additional \$400 (a 10% increase) for the average Toronto homebuyer – a significant amount of money at a time when most people can least afford it because of the numerous other expenses (appliances, furniture, renovations) that come with home ownership.

### Land Transfer Tax = Home Buying Tax

Make no mistake, a second land transfer tax is nothing short of a home buying tax. Land transfer taxes are payable, in full, by a homebuyer at the closing of a property transaction

**Chief Executive  
Officer**

Don Richardson



and can represent one of the biggest closing costs that homebuyers must deal with. Generally, closing costs equal approximately 1.5% of the purchase price of a property. If the City implements a second land transfer tax of 0.5%, as considered by the City's discussion paper, this represents a 33% increase in closing costs for Toronto homebuyers. Even a 0.1% Toronto land transfer tax would represent almost a 10% increase in land transfer taxes on the average home. At a time when the City's population growth is being vastly outpaced by surrounding areas, what kind of message does this type of home buying tax send?

### **Benefit for Cost?**

Taxpayers have the right to know what benefits they receive from taxes. What added services, from the City, can homebuyers expect for paying a second land transfer tax? If this tax is intended simply to generate general revenue, then the City is discriminating against homebuyers and asking them to fund services that existing residents will benefit from. Property taxes, paid by all, are intended to pay for services that everyone benefits from.

### **“What’s in a name?”**

However, it is no secret that property taxes are overburdened. This is part of the City's rationale for considering new taxes. Unfortunately, there is little difference between a property tax and a land transfer tax. Both are taxes on home ownership; both are calculated based on a property's value; and both impact affordability. We support the City in trying to avoid property tax increases, but isn't a second land transfer tax just another way to raise taxes on property?

### **Don't Put the Cart Before the Horse**

TREB has been a vocal supporter of efforts to convince the provincial and federal governments to provide municipalities with adequate, predictable, and sustainable funding from existing tax sources. Furthermore, TREB has joined municipalities in calling for the uploading of social costs, such as disability and drug benefits, that should not be funded by property taxes. We will continue to support these efforts and we strongly believe that these critical issues must be resolved before Toronto taxpayers are expected to pay any new taxes, let alone a duplicate of one that they are already paying at the provincial level.

### **Contradicts Other City Objectives and Goals**

The City's Discussion Paper indicates that requiring homebuyers in Toronto to pay a second land transfer tax would have a “neutral policy impact”. Unfortunately, we believe that there is a distinct possibility for substantial impacts on various City policies, objectives, and goals.

### **Environmental Impact: More Traffic, More Smog**

Under the new *City of Toronto Act* and the new *Municipal Act*, Toronto is the only Ontario municipality with the authority to levy a local land transfer tax on top of the existing provincial land transfer tax. This means that, if Toronto levies a second land transfer tax, the City would be creating a financial incentive for homebuyers to choose to

buy a property outside of Toronto's borders. Recent census data already demonstrates that Toronto is growing at a much slower rate than surrounding municipalities; adding additional costs in Toronto will only exacerbate this trend, meaning more urban sprawl, which means more commuting, more traffic and more smog.

### **Affordability and Intensification**

The average price of a re-sale home in Toronto in 2006 was approximately \$378,000. This makes Toronto one of the most expensive cities in the country to live in. As noted above, a second land transfer tax could add considerable costs for homebuyers. Any increase will reduce Toronto's affordability, making it more difficult to attract new residents and achieve the intensification goals that the City has laid out in its Official Plan.

### **Economic Impact**

According to a study conducted by Clayton Research for the Canadian Real Estate Association, each re-sale housing transaction in Ontario generates approximately \$27,000 in spin-off spending for things like furniture, appliances, renovations, etc. In recent years, this means that re-sale real estate transactions have contributed more than \$2 billion per year to Toronto's economy. Any impact on Toronto's real estate market, from a second land transfer tax, will impact the overall economy.

### **Moving Forward: Adequate Consultation**

I hope you find our views on this issue helpful. This is an unprecedented initiative that requires serious and lengthy public consultations, which we look forward to participating in. As such, we would appreciate an opportunity to meet with you to discuss this issue further.

Yours truly,



Dorothy Mason  
President

c.c. Toronto City Council  
Shirley Hoy, City Manager, City of Toronto  
Joe Pennachetti, Deputy City Manager and Chief Financial Officer, City of Toronto  
Brian Walker, President, Ontario Real Estate Association