

March 15, 2013

President:
Ann Hannah
Executive Committee
City of Toronto
City Hall
Toronto, Ontario
M5H 2N2

President Elect:
Dianne Usher

RE: Executive Committee Agenda (March 20, 2013) Item EX 29.12
– Capping the Municipal Land Transfer Tax

Past President:
Richard Silver, ABR, e-PRO

Dear Executive Committee,

Directors:
Stuart Braund
Larry Cerqua, REI
John (Jerry) England
Paul Etherington
Karen Gerrard
Lydia Ingles, ABR, Green
Cynthia Lai
John D.K. Lusink
Michelle Makos
Mark McLean
Rosalind Menary
Shelley Parritt
Tim Syrianos

On behalf of the Toronto Real Estate Board's over 36,000 REALTOR® Members, I am writing to inform you of our views regarding the March 20, 2013 Executive Committee Agenda Item EX 29.12 – Capping the Municipal Land Transfer Tax. TREB commends the Executive Committee for considering action on the Land Transfer Tax; however, this motion does not solve the problems created by this tax, and, in fact, could make them even worse.

Capping Makes LTT Even Worse

We commend Councillor Minnan-Wong for recommending action on this unfair tax; however, the proposed capping plan could make this bad tax even worse, as has been pointed out by renowned municipal finance expert, **Enid Slack, of the University of Toronto**, who was recently quoted by the media, about this proposal, as saying:

If you want to reduce the land transfer tax, why would you not just reduce the tax rate, and say the tax rates are going down, so there is some certainty for taxpayers going forward? With this method (capping), they're not going to know what the tax rate is next year.

**Chief Executive
Officer**
Don Richardson

Recent media reports regarding this proposal indicated that, under this proposal, annual surpluses generated by the LTT could be used in the subsequent year to reduce the tax. While we are encouraged by the recognition that this tax should be reduced, not only would the reported capping approach not achieve a reliable reduction, it would, in fact, worsen the situation by creating uncertainty for home buyers, who would not be able to predict what they would pay in LTT in any given year. This uncertainty could result in scenarios where home buyers are artificially encouraged to delay home purchases, thus interfering with the natural operation of the real estate market.

Phase-Out Approach Unlikely to Distort Market

In contrast, a predictable phase-out strategy, with set targets on rate reductions, would provide certainty for home buyers and allow them to make informed decisions on when they would prefer to purchase. Also, a phase-out plan would be unlikely to distort the market, as the capping scheme would, because City Council could set a phase-out schedule that would not create enough incentive for home buyers to delay purchases, while still eliminating this tax in a reasonable timeframe.



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Capping Does Not Solve Current LTT Flaws

Hurting Toronto's Economy

The Land Transfer Tax continues to have serious impacts on Toronto's real estate market and economy, which would not be solved by a capping scheme. In 2012, we saw a shift in real estate market conditions, which we believe can be attributed to the tightening of mortgage rules by the federal government; however, it is important to note that the 905 region rate of sales growth has exceeded the Toronto rate of growth by approximately **10 percentage points**. We believe that this discrepancy can be attributed, at least in part, to the Toronto Land Transfer Tax because the significant upfront cost of this tax means that Toronto home buyers have less funds available to adapt to mortgage tightening.

The negative impact of this tax was also recently highlighted by an independent analysis conducted by the C.D. Howe Institute, which found that the Toronto Land Transfer Tax is directly responsible for dampening home sales in Toronto by **16 percent**. This finding is supported by a recent Ipsos Reid poll, which found that **77 percent** of GTA residents planning to purchase a home in the next two years are more likely to purchase outside Toronto specifically to avoid paying the Toronto Land Transfer Tax.

Every housing transaction that our City loses because of the Toronto Land Transfer Tax risks jobs that rely on the spending associated with home buying. In fact, a separate study found that every resale housing transaction results in over \$40,000 of spending on things like movers, renovations, appliances, and furnishings.

Unfair

The Land Transfer Tax continues to make Toronto a less fair City and capping it does not address this problem. This tax continues to over-burden home buyers with tens of thousands of dollars in added upfront costs (which cannot be financed with a mortgage), every time they move, for the same level of service received by people who do not have to move.

Public Supports Phase-Out of Land Transfer Tax

Capping the Land Transfer Tax means keeping the Land Transfer Tax and that is not consistent with what the public wants. A recent public opinion poll conducted by Ipsos Reid found that:

- Seven in ten Torontonians, **68 percent**, support plans to eliminate the Land Transfer Tax. This is up from 65 percent one year ago.
- **76 percent** of Torontonians who recently paid the Toronto Land Transfer Tax feel that they have received little or no added value in municipal services for the tax that they paid.
- **72 percent** oppose municipal land transfer taxes even if this tax is dedicated for spending on transit and infrastructure.

Phased Elimination Must Move Forward

TREB believes that a phased elimination of the Land Transfer Tax is a responsible and achievable approach. Such an approach will allow City Council to offset Land Transfer Tax revenue with fair options that do not hurt our City's economy, such as continued efficiencies and cost reductions, reviewing opportunities for asset monetization, growing the City's property tax base, and considering innovative options and opportunities.

This unfair tax has hurt our City for long enough, and we strongly believe that it must be phased-out as soon as possible.

We would be happy to meet with you to discuss this issue further.

Sincerely,

A handwritten signature in cursive script that reads "Ann Hannah". The signature is written in black ink and is positioned above the printed name and title.

Ann Hannah
President