

January 20, 2014

President:

Dianne Usher

Executive Committee
City of Toronto
City Hall

President Elect:

Paul Etherington

100 Queen Street West
Toronto, Ontario
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Ann Hannah

Dear Executive Committee,

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On behalf of the 38,000 Members of the Toronto Real Estate Board (TREB), I am writing to encourage you to provide relief from the Toronto Land Transfer Tax for all home buyers.

TREB strongly believes that the Land Transfer Tax (LTT) should be phased out entirely. As a first-step in this regard, eliminating the tax up to a certain threshold could be an ideal approach to start providing relief to all home buyers. However, this threshold should be set at an appropriate level to ensure that no home buyers pay more LTT than they currently do. In this regard, it is important to note that, at present, first-time home buyers are rebated the full amount of LTT payable up to a \$400,000 home. As such, \$400,000 would be an appropriate minimum level for the exemption threshold. This would provide significant relief for all home buyers, while ensuring that first time home buyers are not worse off.

Ideally, a higher threshold could be considered, given that the current average price for a home in the City of Toronto is approximately \$570,000. Nevertheless, if a threshold lower than \$400,000 is preferred, then the current rebate for first-time home buyers should be maintained, and indexed to inflation going forward, to ensure that they do not end up paying more LTT than they do now. In fact, given the City's current average home price is approximately \$570,000, the current first time home buyer rebate, which maxes out on a \$400,000 property, is inadequate.

**Chief Executive
Officer**

Don Richardson

Potential New Transactions Resulting from LTT Rate Reduction Could Help Off-Set Budget Impact

Potential growth in home sales resulting from an LTT rate reduction could help offset the impact to the City's budget. Research by the C.D. Howe Institute has shown that the Land Transfer Tax has dampened home sales in Toronto by 16% annually. If a LTT rate reduction helps to reduce or reverse this effect, the resulting extra home sales, which may not have occurred otherwise, could generate new off-setting revenue for the City.



Land Transfer Tax Relief is Warranted

TREB strongly believes that action on the Land Transfer Tax is warranted for the following reasons:

- The Land Transfer Tax hurts people when they can least afford it. It hurts them when they need to move because their family is growing, a time when their household expenses are at their highest; or in retirement, when their income is fixed and they need to move to make a lifestyle change; or when they need to move due to unfortunate situations like a marital break-up or the loss of a loved one; or when they are struggling to save a down payment for their first home, because the first-time buyer rebate has not kept pace with inflation.
- Every housing transaction lost because of the Land Transfer Tax means less economic activity and risks jobs. In fact, according to research conducted by the Altus Group, every re-sale housing transaction generates \$53,000 of economic activity on things like movers, renovations, and the purchase of furnishings and appliances.
- As the only municipality in Ontario with two land transfer taxes, Toronto is less competitive because of the Toronto Land Transfer Tax. In fact, a recent poll by Ipsos Reid found that 80 percent of Toronto and GTA home buyers are more likely to consider purchasing a home outside of Toronto because of the Toronto Land Transfer Tax. This is substantiated by TREB sales statistics, which have shown a discrepancy in sales activity between Toronto and the "905" region outside of Toronto, with Toronto lagging the "905".
- Since the Land Transfer Tax took effect in 2008, it has generated a combined surplus of over \$300 million. This is extra money that was not budgeted for and should have been returned to home buyers.
- It is unfair to make people who have to move, like downsizing seniors or growing families, pay thousands of dollars more than their fair share, for the same level of municipal services as those who don't move.

We appreciate your consideration of our views and encourage you to move forward with providing relief from the Toronto Land Transfer Tax.

Sincerely,



Dianne Usher
President