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2016 BUDGET BRIEFING NOTE

Potential Municipal Land Transfer Tax (MLTT) Rate Increase for Non-Residential Properties

Issue/Background:

This note responds to the January 18, 2016 Budget Committee's request for a briefing note on the additional revenue that could be collected if the Land Transfer Tax (MLTT) rate on Commercial Properties were raised to 2.0% from 1.5% on properties over \$25 million based on past actuals from 2013, 2014 and 2015, with no discounts for properties over \$40 million.

Key Points:

- The current MLTT rates are based on two property categories:
 - a. properties which contain at least one, but not more than two, single family residences – equivalent to residential properties, and
 - b. all other properties.

Value of Consideration	Residential *			All other properties		
	City of Toronto	Province of Ontario	Total	City of Toronto	Province of Ontario	Total
\$0-\$55,000.00	0.50%	0.50%	1.00%	0.50%	0.50%	1.00%
\$55,000.01 - \$250,000.00	1.00%	1.00%	2.00%	1.00%	1.00%	2.00%
\$250,000.01 - \$400,000.00	1.00%	1.50%	2.50%	1.00%	1.50%	2.50%
>\$400,000.00	2.00%	2.00%	4.00%	1.50%	1.50%	3.00%
>\$40 million				1.00%	1.50%	2.50%

* Residential = Property which contains at least one, and not more than two, single family residences

- Unlike the property tax system, the MLTT does not have multiple tax class categories beyond the two indicated. The "all other properties" category includes properties with more than two single family residences, and may include a six-plex, large apartment building, commercial office tower, or industrial property. It is not possible to extract MLTT data for only commercial properties as they are not captured and reported separately.

- If the MLTT rate for all other properties (with more than two single family residences) was increased to 2.0% from 1.5% on properties valued at over \$25 million based on past actuals from 2013, 2014 and 2015, with no discounts for properties valued at over \$40 million, the additional revenues would be as follows:

	2013	2014	2015	3-year average
No. of transactions (valued at over \$25M)	46	38	57	47
Additional tax revenue (\$M)	\$15.7	\$27.0	\$14.9	\$19.2

- Alternatively, if the MLTT rate for all other properties (with more than two single family residences) was harmonized with the provincial structure for properties valued at over \$40 million, i.e. increased from 1.0% to 1.5%, the additional revenues would be as follows:

	2013	2014	2015	3-year average
No. of transactions (valued at over \$40M)	23	25	33	27
Additional tax revenue (\$M)	\$6.6	\$12.3	\$5.9	\$8.3

- In all cases above, the number of transactions involved is a small fraction (less than 0.1%) of the total annual transactions.
- MLTT revenues on commercial, industrial and multi-residential transactions tend to be harder to predict than residential transactions.

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