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## 2024 OPERATING BUDGET BRIEFING NOTE

### Municipal Land Transfer Tax (MLTT) Rebate Program for First-Time Homebuyers

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#### Issue/Background:

- During consideration of the City's Updated Long-Term Financial Plan ([Item EX7.1](#)), City Council directed the City Manager and the Chief Financial Officer and Treasurer to report back in advance of City Council's consideration of the Mayor's proposed 2024 Budget on the costs and implications of increasing the maximum value of consideration for the first-time homebuyers rebate under the Municipal Land Transfer Tax of up to \$750,000.
- In addition, during consideration of the 2023 Housing Action Plan, City Council requested the Chief Financial Officer and Treasurer to report to the Budget Committee on a proposal to increase rebates and fee relief for first time homebuyers subject to the Municipal Land Transfer Tax ([Item CC2.1](#)).

#### Key Points:

##### *Existing MLTT Rebate Program*

- The City of Toronto currently provides a First-Time Purchase Rebate to first-time purchasers of residential property, up to a maximum rebate value of \$4,475. This equates to a full rebate of the Municipal Land Transfer Tax (MLTT) for home purchases up to a value of consideration of \$400,000.
  - The rebate is available to all eligible first-time purchasers regardless of the value of consideration of the property, up to a maximum of \$4,475. Table 1 below provides examples of the rebate's impacts on purchasers.
  - In 2022, the City provided a total of \$68.4 million in First-Time Purchase Rebates.

**Table 1: Illustrative Examples of Existing MLTT Rebate**

Home Value of Consideration	MLTT Rebate Value for First-Time Purchasers	Total Net MLTT Payment (After Rebate) by First-Time Purchasers	Total MLTT Payment for <u>Non-First-Time</u> Purchasers
\$250,000	\$2,250	\$0	\$2,250
\$400,000	\$4,475	\$0	\$4,475
\$500,000	\$4,475	\$2,000	\$6,475
\$750,000	\$4,475	\$7,000	\$11,475
\$1,000,000	\$4,475	\$12,000	\$16,475

- The City’s First-Time Purchase Rebate is provided in addition to the Provincial Land Transfer Tax Refund for First-Time Homebuyers, which provides a rebate up to a maximum value of \$4,000.
  - This rebate means that there is no net Land Transfer Tax payment on a home value up to \$368,000 by a first-time purchaser.
  - Both the Municipal and Provincial Land Transfer Tax rebate programs have the same eligibility criteria for the purchaser:
    - Must be at least 18 years old;
    - Must occupy the home as the principal residence within 9 months of the conveyance;
    - Must not (and their spouse must not) have previously owned a home or had ownership interest in a home anywhere in the world
    - Must be a Canadian citizen or permanent resident (or become one within 18 months of the conveyance).

*Consideration of Revising the Program*

- Should the First-Time Purchase Rebate be increased to provide the equivalent rebate for a \$750,000 property, based on [current MLTT rates](#), **the maximum rebate value would be increased from \$4,475 to \$11,475.**
- It is important to consider that, within the current First-Time Purchase Rebate program guidelines, changing the maximum rebate value would apply to all first-time purchasers regardless of their home value. For example, Table 2 below demonstrates that a purchaser of any property above \$400,000 would receive an increased rebate.
  - In sum, every purchase would be subject to *up to* an additional \$7,000 in rebate opportunities than the existing program offers.

**Table 2: Illustrative Comparison of Existing MLTT Rebate to Revised Scenario**

Home Value of Consideration	Existing Program for First-Time Purchasers		Potential Scenario for First-Time Purchasers	
	MLTT Rebate Value	Total Net MLTT Payment (After Rebate)	MLTT Rebate Value	Total Net MLTT Payment (After Rebate)
\$250,000	\$2,250	\$0	\$2,250	\$0
\$400,000	\$4,475	\$0	\$4,475	\$0
\$500,000	\$4,475	\$2,000	<b>\$6,475</b>	<b>\$0</b>
\$750,000	\$4,475	\$7,000	<b>\$11,475</b>	<b>\$0</b>
\$1,000,000	\$4,475	\$12,000	<b>\$11,475</b>	<b>\$5,000</b>

- Based on 2022 transaction data, increasing the rebate to a maximum value of \$11,475 (i.e., to result in no net MLTT payment for properties up to \$750,000) would have cost the City an **additional estimated \$91 million in rebates**. This includes:
  - An additional \$36 million in additional rebates for properties valued between \$400,000 and \$750,000; and
  - An additional \$55 million in additional rebates for properties valued above \$750,000, which would now be subject to an additional \$7,000 rebate opportunity.
- Any consideration to increase the City's First-Time Purchase Rebate for Homebuyers would require an equivalent revenue or expenditure offset as the 2024 Staff-Prepared Budget does not include any changes to the existing program.

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Additional information on the Municipal Land Transfer Tax, including rebate opportunities, can also be located on the City's webpage: <https://www.toronto.ca/services-payments/property-taxes-utilities/municipal-land-transfer-tax-mltt/>

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