



Tax idea seen as threat to first-time buyers

Realtors blast city talk of instituting land transfer levy

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A proposed land transfer tax – pitched as an answer to Toronto's cash crunch – will push young buyers right out of the city's overheated housing market, industry leaders warn.

"The greatest impact will be on the first-time buyer, especially in Toronto's centre core market where costs are already so high," says Von Palmer, spokesperson for the **Toronto Real Estate Board**.

The homebuyer's tax is just one of a long list of potential new taxes proposed by city officials to help balance Toronto's books.

The move worries real estate agents, who say homebuyers already face a tough enough struggle saving for down payments and closing costs.

Adding a tax representing 0.5 per cent of the cost of the average Toronto home – now valued at \$380,000 – would tack another \$1,900 on to the \$4,200 in land transfer tax already collected by the province.

"This will hurt a lot of Toronto homebuyers," says Palmer, the **board's** director of government relations. "It's a double whammy."

A fact sheet issued by the board shows that Toronto's proposed 0.5 per cent tax represents a 45 per cent hike in land transfer taxes.

The sheet also outlines a series of home buying scenarios, showing the impact on homeowners.

For instance, a homebuyer with a 5 per cent down payment of \$19,000 on a home valued at \$378,000 would pay an additional \$11,319 in costs related to this one extra expenditure over the life of the mortgage.

Palmer said if the tax becomes law, Toronto – already the second costliest home buying market in the country – will be the first to have both municipal and provincial land transfer taxes.

Lisa Graham, a realtor specializing in Toronto's downtown core, says first-time buyers in that white hot housing market – where bidding wars are situation normal – already face significant challenges.

These include ever increasing prices, competition from other first-time buyers and an ongoing shortage of available properties, says Graham, who is with Royal LePage's Johnston and Daniel Division.

A new tax could force first-timers to delay their purchase or even push them right out of the centre-core Toronto market altogether, she says.

"An additional tax would compound the issue of housing affordability in Toronto for first time buyers and growing families who need to move up," Graham adds.

Ray Cochrane of Re/Max Hallmark in Toronto's east end, agrees that any new home buying tax would hit first timers hardest. "It's not a whole lot but every penny counts when you're a first-time buyer," he says.

Cochrane works in the up-and-coming Birchcliffe Village, where homes start at a modest \$220,000, and in the Hunt Club area, where home prices can top \$1 million.

Add a new tax to existing closing costs of \$5,000 for a home valued at \$250,000, "and that's starting to look like a down payment," he says.

Traditionally, Canadian municipalities have been limited to collecting property taxes as their main source of income. But last year, the province passed the City of Toronto Act, which gave city politicians sweeping powers to implement new taxes at their discretion.

A report issued by city staff in March outlined a number of possible revenue streams.

These included the 0.5 per cent added tax on land transfers, which would raise about \$102.7 million a year for the city and a 5 per cent tax on cigarettes, which would haul in an estimated \$25.3 million.

The city is also looking at bringing in road tolls and imposing new taxes on alcohol, parking, entertainment and billboards.

A series of public meetings are being conducted on the proposed taxes. A decision is expected by the end of the summer.