

TREB URGES CITY COUNCIL TO STOP PROPOSED LTT INCREASE IN ITS TRACKS

TORONTO, ONTARIO, December 14, 2016 – The Toronto Real Estate Board is urging Toronto City Council to act early to stop a potential significant Land Transfer Tax increase, a proposal that is currently working its way through the City’s approval and budget process.

Yesterday, City Council formally asked the City’s budget Committee to consider changes in LTT policy that could see home buyers of average-priced properties pay another \$750 to City Hall, on top of the \$11,000 in LTT that they already pay City Hall as an upfront closing cost, a seven percent increase. This is in addition to another upfront \$12,000 in LTT they pay to the Province. The proposed changes would also see first-time home buyers either paying up to \$475 more, or, at best, being no better off than they are now, even though the Province recently doubled their rebate in recognition of the needs of first-time buyers.

“Toronto’s housing prices are top of mind for many Torontonians. Simply put, housing affordability is water-cooler talk in Toronto. The last thing people want to hear is that City Hall wants them to dish out another \$750, on top of the \$11,000 that they already pay. City Hall should be looking for ways to make housing affordability in Toronto better, not worse; especially for first-time buyers who, under these proposals, will be going backwards, or at best be no better off,” said Larry Cerqua, President of the Toronto Real Estate Board.

The proposed changes would have the following effects:

- Increase the LTT rates by adding a new additional LTT rate on the portion of a property valued from \$250,000 - \$400,000.
- Changing the maximum allowed rebate for first-time buyers. The proposal considers two options:
 1. A maximum rebate of \$4,000, which would increase the City’s rebate for first-time buyers from \$3,725, but would not represent a big enough increase to offset the tax increase those buyers would see from the new additional tax levied on the value from \$250,000 - \$400,000. Under this scenario, first-time home buyers in Toronto would actually lose ground, with the new maximum rebate equating to the tax payable on a \$368,000 home,

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whereas the existing rebate, under existing tax rates, equates to the tax payable on a \$400,000 home and hasn't been adjusted for inflation in housing prices since 2008; or,

2. A maximum rebate of \$4,475, which would represent the status-quo for first-time homebuyers (i.e. equate to the tax payable on a \$400,000 home). Under this scenario, first-time buyers would be no better off than they are today. Interestingly, the provincial government recently doubled the provincial first-time buyer rebate in recognition of the assistance that many first-time buyers need. City Hall's current proposals do not offer first-time buyers any new assistance.

- Eliminating the first-time buyer rebate, entirely, for first-time home buyers purchasing a home above a particular price to be determined by Council (the proposal contemplates a \$700,000 threshold, which is well below the current Toronto average price of \$770,000).
- Increasing the LTT rate on the value of a home over \$2 million from 2% to 2.5%.

"Time and time again, we have heard City Hall talk about the importance of housing affordability, and yet here is another proposal that will make this great City less affordable. It simply doesn't make sense," said Von Palmer, Chief Communications and Government Affairs Officer at TREB. "City Council should stop this proposal in its tracks and refuse to refer it for consideration during the upcoming budget process."

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