

Why not reduce the Land Transfer Tax to offset HST?

This coming July 1, Ontarians will pay more tax on consumer goods and services due to the harmonization of the sales tax by the provincial government. One of the groups that will be most affected by this change is home buyers and sellers, particularly first-time buyers. Under the HST, home buyers and sellers will pay eight per cent more on legal fees, appraisals, real estate commissions, home inspection fees, and moving costs, adding about \$1,500 in new taxes to the average residential real estate transaction in Ontario. That doesn't take into consideration the consumer goods that many new homebuyers purchase, such as renovation materials, paint, furniture and appliances, all of which will also cost eight per cent more.

Members of the Ontario Real Estate Association (OREA), including the Ottawa Real Estate Board, spent much of 2009 asking the provincial government not to place this unfair new tax burden on Ontarians. Unfortunately, we were not successful in our fight and last fall legislation was passed that will bring HST into effect on July 1, 2010. In response, OREA proposes that Dalton McGuinty and the provincial government provide some tax relief to home buyers by reducing the provincial land transfer tax (LTT) rate.

Land transfer tax is essentially, a sales tax on homebuyers, which is calculated as a percentage of the purchase price of a homebuyer's home. Everyone who purchases property in Ontario pays Land Transfer Tax. Here's how the LTT is currently calculated:

- 0.5% of the value of the property up to and including \$55,000,
- 1% of the value of the property which exceeds \$55,000 up to and including \$250,000, and
- 1.5% of the value of the property which exceeds \$250,000, and
- 2% of the amount by which the value of the property exceeds \$400,000 for land that contains at least one and not more than two single family residences.

For the average Ontario homebuyer, the provincial LTT adds about \$3,200 to their closing costs. In 2009 the average home price in Ottawa was \$303,888, so on average Ottawa home buyers paid just over \$3,000 in LTT last year.

Cutting the provincial LTT rate by just 0.5 per cent across all property value tax brackets would offset the cost of the HST by saving the average Ontario homebuyer over \$1,500. If you're a first-time home buyer, you can already claim a LTT rebate of up to \$2,000 from the provincial government, so this proposal could reduce the LTT payable on your first home to almost nothing. That's one fewer cost to worry about upon closing.

Members of the Ontario Real Estate Association want to ensure that the HST isn't a tax barrier that prevents Ontarians from achieving their dreams of home ownership. The provincial government can help home buyers and sellers by cutting the provincial LTT rate. If you're concerned about this issue, we encourage you to write to your MPP and let him or her know about it. Find your MPP's contact information at <http://www.ontla.on.ca>.