

Land transfer tax a shocker

Realtors seek cut in levy that adds thousands to price

By: Murray McNeill

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BORIS MINKEVICH / WINNIPEG FREE PRESS Homebuyer Carol Patterson, with (from left) Austin, 11, Renee, 12, and Cole, 7, was floored by \$4,650 bill. (BORIS MINKEVICH)

THE provincial government had a nasty surprise for Carol and Trevor Patterson when the Winnipeg couple recently purchased a new home.

Along with the \$350,000 bill from their homebuilder was a \$4,650 land transfer tax (LTT) bill from the province.

"We knew the tax was there, but the fact it was that high was shocking," Carol Patterson said in an interview Monday. "Our jaws just dropped."

Patterson said she can understand the province charging a fee to recover the costs of registering their property transaction in its provincial land registry system. But \$4,650?

"It's sickening," she said. "Certainly they could make it a more manageable amount and give people a break."

Patterson isn't the only one who thinks Manitoba homebuyers deserve a break. On Monday, the Winnipeg Realtors Association (WRA) called on the Manitoba government to provide some LTT relief to homebuyers in its March 25 budget.

"It is really important to understand the Manitoba Land Transfer Tax is an additional closing cost a purchaser must come up with before taking possession of a property," said Don Cook, chairman of the WRA's civic and legislative committee. "In times when the economy is going through a slowdown, the government should do anything in its power to support a key sector of the economy that creates millions in economic spinoffs and jobs."

In a meeting last month with Finance Minister Greg Selinger and some of his senior department officials, the association asked that first-time homebuyers be exempted from paying the tax, that the graduated tax rates be lowered, and that the tax be capped at a selling price of \$500,000.

The current tax rate is 0.5 per cent for the portion of the selling price between \$30,000 and \$90,000, 1.0 per cent for the portion between \$90,000 and \$150,000, 1.5 per cent from \$150,000 to \$200,000 and 2.0 per cent for anything above \$200,000.

The WRA has asked that those rates be lowered to 0.5 per cent for the first \$100,000, 1.0 per cent for the next \$100,000, and 2.0 per cent for anything between \$200,000 and \$500,000.

The association noted Manitoba's tax is one of the highest among the four provinces that have such a levy. The others are Quebec, Ontario and British Columbia.

The amount of LTT paid here has also been increasing at double or triple the rate of the other three provinces -- a whopping 358 per cent between 1997 and 2007, the association said.

Cook said exempting first-time buyers would help stimulate the local housing market because some of them now likely have to postpone their purchases until they can save up enough money to pay the tax.

Winnipeg lawyer Jeffrey Shypit said he handles more than 3,000 real estate transactions per year, and his clients are often shocked at the size of their LTT bill.

He also called on the province to give homebuyers a break. And he said the accelerating tax should be replaced with a flat percentage rate that's easier for homebuyers to understand.

A spokesman for Selinger's office said he can't comment on whether any relief might be included in next week's budget. But she noted the province has already provided relief to homeowners by eliminating the residential education support levy, boosting the education property tax credit, and lowering personal income taxes.

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