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According to WinnipegREALTORS®, the provincial government's land transfer tax (LTT) has punished home buyers since it was first implemented in 1987.

Based on an average MLS® priced home in Winnipeg, the amount of LTT a home buyer now pays has increased tenfold since the implementation of the tax.

If you bought a home in 1987 at the then average price of \$82,000, you would have handed over \$260 to the provincial government for the privilege of obtaining a new title on your acquisition.

In 2011, the current average price of a MLS® resale home as of the first quarter was \$249,000, which means the land transfer tax required to be paid by the buyer is \$2,630. You might as well say \$2,700, as another \$70 registration fee is required for registering the land title. The tax is a closing cost that you cannot finance on your mortgage, so it is cash you need to save up in order to purchase the average priced home in Winnipeg.

"It is hard to imagine that when they introduced the land transfer tax that they intended it to raise so much revenue, and not to remain similar to a user fee as it was at the beginning," said Claude Davis, chair of WinnipegREALTORS® civic and legislative affairs committee.

"It has become so high now that it literally can make the difference in someone being able to afford a home. It was noted in our March MLS® market release that in the southwest quadrant — where I do a lot of real estate business — and in the southeast quadrant, that the average selling price was over \$300,000. Depending on how much you go above this amount, the land transfer tax bumps up to surpass \$4,000."

One reason the LTT is so punitive is that the government has never indexed it to home price increases since the tax was first implemented in 1987. Instead, the government increased the tax percent-

Tax punitive to home buyers

age from 1.5 per cent to two per cent for any dollar amount over \$200,000. As a result, for every \$50,000 in property value above \$200,000, the government collects an additional \$1,000. This is why in 2010, despite MLS® home sales being down in comparison to 2009, the provincial government took in an additional \$3.6 million based on MLS® home sales alone.

The question you have to ask is how motivated is the government to reform the LTT in a marketplace that has just experienced seven out of the eight years with double-digit home prices. Under the existing tax regime, they stand to gain significantly more tax revenue from home buyers.

WinnipegREALTORS® has already pointed out to the government that the land transfer tax is an impediment to housing affordability, especially for first-time home buyers who do not have the benefit of any equity in a home.

Sales for entry level homes in 2010 (homes selling for under \$200,000) plummeted 35 per cent in comparison to 2009. While there is no way to attribute the decrease entirely to the LTT, as the highest rate of two per cent (highest land transfer rate in the country) does not kick in until after \$200,000, any additional closing cost can be enough to prevent a first-time buyer from having the money needed to purchase a home.

Winnipeg's current sellers' market is well entrenched in part due to a lack of rental accommodations and strong immigration numbers. Anything the provincial government can do to loosen up badly-needed rental units for newcomers would be welcomed. Freeing up occupied rental units by encouraging home ownership is one solution.

In British Columbia and Ontario, where unreasonably high land transfer taxes are also levied on home buyers, at least they recognize the difficulty first-time buyers experience and offer generous exemptions for this group. But there is no first-time home buyer exemption in Manitoba.

The government has to keep in mind that every home sale in Manitoba generates economic activity of \$40,000. The government also should appreciate that most buyers would use any savings they realize from relief on the land transfer tax back into their newly-purchased homes. Consider what economists are saying about this year's MPI rebate: the best thing for the economy is for people to spend it. That is clearly what most home buyers will do if given some relief.

The only thing WinnipegREALTORS® can do at



this stage is encourage the public to tell their MLAs how the land transfer tax has become a major tax grab at the expense of home buyers.

WinnipegREALTORS® has mounted a campaign to seek tax relief from this punitive tax, which includes a website at www.2muchlft.com. The website provides pertinent information about the tax and has links to all Manitoba MLAs. They have also set up a Facebook page dedicated to the campaign. To "like" WinnipegREALTORS® and stay up to date with the campaign type in Home Buyer Tax Relief.