

Top of the heap due to bracket creep

In addition to the Manitoba Real Estate Association and WinnipegREALTORS® hosting a provincial leaders forum on Shaw TV September 14, 2011, where they questioned the party leaders on whether they would make a commitment to providing Manitoba homebuyers with Land Transfer Tax (LTT) relief, REALTORS® also sent the three main political parties four written questions of concern to their members and Manitobans. All three parties have replied with their responses and there are some clear differences.

The focus of this column will be on the fourth question which has to do with Manitoba's LTT. In summary, this question made it clear Manitoba has the highest LTT in the country when it comes to first-time homebuyers. The two other provinces which share the highest tax rate in the country with Manitoba at 2 per cent offer generous first-time homebuyer exemptions. For repeat homebuyers Manitoba's LTT is the second highest as B.C.'s LTT rate of 2 per cent is the same for any sale value amount over \$200,000, but it collects \$2,000 instead of \$1650 for a property valued at \$200,000. In Ontario's case, its 2 per cent LTT rate does not kick in until a property is valued over \$400,000.

The preamble in this question noted that through some MLS® analysis of the first-time homebuyers market that the significantly higher LTT upfront closing cost (average increase has been 1000 per cent since being introduced in 1987) has clearly made it more difficult for new entrants to Winnipeg's housing market. This does not preclude other first time sellers who are buying their second home or other buyers potentially from being challenged with coming up with the much higher LTT cost to pay for the home they wish to buy. For example, anyone buying a home in either Winnipeg's southeast or southwest quadrant based on today's average sales price has to come up with roughly \$3700.

The following breakout shows the three main political party responses on the land transfer tax from both the televised forum and written question. Each one is followed by a reality check or in REALTORS® case, a realty check.

Manitoba New Democratic Party

At the leaders' forum, Premier Selinger did not answer the question directly as liberal leader Dr. Jon Gerrard correctly pointed out. Selinger talked about every Manitoban should be treated equally and then went into a description of the education property tax credits he is offering property owners. In doing so, he indicated how he will increase the seniors' tax credit from \$1,025 to \$1,100 while leaving the principal homeowner one at its current \$700. His answer then went into trying to address our housing shortage given our population increases. He spoke of building more housing in various forms and training more trades people so we can increase our capacity to build more. While not

really answering the question about providing land transfer tax relief, he did state the “biggest asset a family has is their home”.

As for the written response, it said land transfer taxes or similar fees are assessed in every province and Manitoba’s fees rank in the middle of the pack. It emphasized homeowners only have to pay it when they buy a home but that they benefit from education property tax reductions annually. Finally, it indicated for every \$1 in LTT revenue the province generates, they return \$5.30 in education property tax relief.

Realty Check

Manitoba is not in the middle of the pack. They are at the top of the heap due to bracket creep as the majority of homebuyers are now exposed to the highest LTT rate of 2 per cent in the country. For first-time buyers who do not have the benefit of any potential equity they have built up and/or gained from owning a home, they must come up with the upfront after tax dollars in addition to their required down payment and other closing costs before they can take title to their first home. It clearly is a real impediment and can literally be the difference in whether they can afford to buy the home they wish to purchase. In essence, the LTT can preclude their entry into homeownership.

It is small comfort for some potential young homebuyer unable to attain homeownership as a result of an unreasonably high LTT to know seniors are getting higher education property tax relief. Are we helping seniors at the expense of our youth? Where is the fairness in this move?

As for property tax relief for those who do own a home, to equate a ratio of what will always be a far smaller number of buyers every year to the total number of property owners is a totally unfair comparison. It is obvious any sort of property tax relief on a far larger pool of people (Manitoba still has some of the highest education taxes on property in the country) in comparison to thousands of dollars in LTT for the purchase of a home will still make it appear much more benign than it actually is for the individual homebuyer.

The emphasis to build more housing of all types is welcome given our extremely tight rental market where vacancy rates are below 1 per cent. However, in the context of providing land transfer tax relief as was the question Selinger was asked to respond to, he is saying the exact opposite in that by creating more housing with no reduction in the land transfer tax rate his party is viewing it as a growth revenue for the province. The sad part about this approach is it is negatively impacting homebuyers and the real estate market in general, which in and of itself, brings significant economic spin-offs to the province.

And moreover, by not offering land transfer tax relief, especially to first-time buyers, who are currently renting, you will not free up badly needed rental space for those who prefer to rent and are unable to find rental accommodations.

On a final realty check point, if Selinger feels the biggest asset a family has is their home and knowing that on average homeowners can move as often as every 5 to 7 years, is he and/or his party not concerned whatsoever that the tens of thousands of dollars in equity the province will grab from a homebuyer over a lifetime will take away from their retirement nest egg.

Manitoba Progressive Conservative Party

At the leaders' forum, McFadyen was critical of Selinger dodging the question and Gerrard not coming up with anything concrete in his platform. He said his party will offer a first-time homebuyer exemption meaning a young family starting out buying their first home will not pay any LTT at all and therefore it will take thousands of dollars off the cost of their first home. As a result, McFadyen said it will ensure young people will want to stay in our province and set down roots and contribute to the building of Manitoba.

He went on to agree the LTT is much higher than it should be as a home is one of the basic necessities of life. The final point made was that his party makes no more promises than bringing in a first-time homebuyer exemption as they want to keep election commitments but as "we go forward we know we would like to do even better as the budget allows".

The written response reinforced what McFadyen said at the forum and added they will review the LTT as part of a post-election financial review.

Realty Check

It is a step in the right direction as was stated by WinnipegREALTORS® MLS® market analyst Peter Squire when the party announced the first-time homebuyers exemption. The question becomes how the exemption will be structured if they are to form government. It is certainly the wish of REALTORS® to be consulted in this regard as they know first hand the impact of it on buyers and also how changes to the LTT can be helpful to not only first-time buyers but repeat buyers. What is meant by this is there can be a way of moving up the exemption as it was done originally in 1987 from \$0 to \$30,000 to be more in keeping with today's house prices and adjust the threshold ranges accordingly so other buyers get some LTT relief as well.

REALTORS® are encouraged as well that the Progressive Conservatives are prepared to review the LTT as a whole given that their leader acknowledged it is much higher than it should be. If there is a concern, we would not want it to be delayed to the point of reaching a balanced budget in seven years. Home buyers deserve better given its unjustifiably high level now and the likelihood it will become even more excessive in time with higher house prices.

Manitoba Liberal Party

At the leaders' forum, Gerrard explained the LTT and indicated it is 2 per cent. He went on to say the big increase in house prices that's happened means buyers need to put out a huge number of dollars and this is adding to the price of a home. As a result of the LTT rising he said it is much larger than it needs to be for the purpose it was originally intended.

Gerrard said he would work with REALTORS® to reduce the LTT to make it more workable as it is too onerous now. In the written response, the REALTORS® call for a review of the LTT's original intent, purpose and impact in 2012 after 25 years of being in place received the Liberal Party's support. They focused this answer on Manitoba having the worst interprovincial migration rate for young people to other provinces. They said we want them to return as they are now starting families or have families and removing the LTT for them "is key to making Manitoba a magnet for young people". In summation, they will support its reduction in a Liberal mandate.

Realty Check

Given the Liberals have no realistic chance of forming government, while their response is positive towards bringing LTT relief to Manitoba homebuyers, they will not have the ability to do so. The best homebuyers can hope for is the Liberals to take an advocacy role in opposition to bring attention to the unfairness of the LTT and its negative affects on our young people who may wish to stay in Manitoba and settle down by buying a home. REALTORS® would also want the advocacy to go beyond first-time buyers as the LTT is an increasing burden on all Manitoba homebuyers.