

# Land Transfer Tax Proposal

January 2010

**GIVE IT UP FOR FIRST TIME BUYERS!**

**PROVIDE LAND TRANSFER TAX RELIEF TO FIRST TIME BUYERS AND HELP MAINTAIN HOUSING MARKET MOMENTUM**

The WinnipegREALTORS® MLS® market alone in 2009 represented approximately \$500 million in economic spin-offs from transactions worth \$2.5 billion.

Encourage our young people to stay in Manitoba by offering them a first time home buyer exemption like B.C. or Ontario. Alberta and Saskatchewan do not have a LTT.

Adjust current Provincial Land Transfer Tax brackets and tax percentages to reflect more accurately the current housing market.

\$0 - \$100,000	.5%
\$100,000 to \$200,000	1.0%
\$200,000 to \$500,000	1.5%

Consider putting in a cap at the upper end of the housing market (e.g. no tax applicable over \$500,000). This will be especially helpful to new home construction.



	<b>1987</b>	<b>2004</b>	<b>2008</b>	<b>1987</b>	<b>2004</b>	<b>2008</b>
<b>Sales Price</b>	\$200,000*	\$310,000 (2003)	\$555,900	\$280,000 *	\$430,000**	\$952,000
<b>LTT</b>	\$1,650	\$3,850	\$8,768	\$3,250	\$6,250	\$16,690

Since the Land Transfer Tax (LTT) was brought in 1987, the average house price has risen dramatically (\$80,000 to \$217,000) and the dollar volume for all MLS® property sales has more than tripled to \$2.5 billion. More importantly the activity where most home sales are happening is much more accentuated in higher price ranges within the last few years. The under \$100,000 sales which used to represent 60% of total sales in the late 90s now is hovering around 10% of total sales while the over \$200,000 sales represent more than one out of every two sales.

Moreover, sales of homes worth more than \$300,000 have tripled in just three years. Another revealing statistic is since the provincial government increased the over \$200,000 LTT bracket from 1.5% to 2% in 2004, the increase in sales over \$200,000 has been more than fourfold.

Clearly, the Province of Manitoba is raising substantially more revenues off this land transfer tax than it could have ever imagined when it brought it in 1987 and far more since it increased the over \$200,000 bracket in 2004 to 2% from 1.5%.

This home buying tax is paying for provincial government expenditures well in excess of the required amount to support the provincial land registry. It taxes a very small percentage of the population every year to pay for services applicable to all Manitobans.

Owing to the significant additional revenues being raised now from the LTT and the likelihood of rising interest rates and potentially higher down payment requirements and shorter amortization periods, we think the timing is right to consider changing the percentage rates charged in the LTT brackets and especially providing a first time buyers exemption. We need to get out in front of this housing market issue with a made in Manitoba solution. The federal government will not be adding any new stimulus in 2010 and likely beyond as needs to avoid a structural deficit.

LTT Revenue: 2008 \$44.8 million, 2007 \$38.2 million, 2006 \$31.0 million. 2008 Provincial revenues total \$9.851 billion for 2008 so the LTT is less than 1/2 of one percent. Changes to the LTT are therefore small in relative terms but will have an immediate impact in especially helping first time buyers.



	<b>1987</b>	<b>2004</b>	<b>2008</b>	<b>1987</b>	<b>2004</b>	<b>2008</b>
<b>Sales Price</b>	\$80,000*	\$135,000	\$249,000	\$65,000	\$102,100	\$165,000
<b>LTT</b>	\$250	\$750	\$2,630	\$175	\$420	\$1,125

**Here is what we propose:**

- Exempt first time home buyers
- Charge .5% from 0 to \$100,000, 1% from \$100,000 to \$200,000 and 1.5% for any amount over \$200,000.
- Consider a cap at \$500,000 as new homes in particular are becoming more expensive to build and you will still generate \$6000 per home in land transfer taxes. Less than 2% of all MLS® residential-detached sales in 2009 were over \$500,000 in 2008 so you are not going to lose much revenue.

**Changes to the Land Transfer Tax will not be expensive to implement or maintain.**

When you combine our resale industry with residential construction, the economic impact of housing activity in 2009 is close to \$3 billion. Just our own MLS® activity last year generated \$500 million in economic spin-offs and was responsible for 5,000 jobs.

In providing a first time home buyer exemption, you will motivate a critical part of our market that allows first time home sellers to move up into other homes they desire. It creates a positive domino effect all the way up to new home construction. As well, we think it would be a good idea as it has been discussed with senior finance officials to exempt any buyer taking advantage of the Province’s affordable housing programs. They include programs like WinnipegREALTORS® Housing Opportunity Partnership (HOP) and the Manitoba Real Estate Association’s Tipi Mitawa – a new pilot program geared to help aboriginals buy their first home.

The vast majority of these people will be first time home buyers anyway but it is still making a statement you want to help lower income Manitobans get into your affordable housing programs. It will also free up desirable and badly needed rental units for new immigrants and other Manitobans looking to find good rental accommodations.

*\* Based on 1990 Sales Figures*

*\*\*Based on 2004 Sales Figures*



	<b>1987</b>	<b>2004</b>	<b>2008</b>	<b>1987</b>	<b>2004</b>	<b>2008</b>
<b>Sales Price</b>	\$130,000*	\$205,000	\$360,000	\$105,500 (1991)	\$166,500 (2003)	\$331,000
<b>LTT</b>	\$700	\$1,775	\$5,250	\$525	\$1,147.50	\$4,270

Changes to the LTT will stimulate home purchase by individuals who have stability in their employment. We need to do everything we can to keep people working by stimulating the economy.

British Columbia has a threshold for first time homebuyers of \$425,000. This was raised in February of 2008 from \$375,000.

Ontario has an immediate refund on the Land Transfer Tax for first time homebuyers to a maximum of \$2,000. This equates to a threshold of \$222,000, which means that the first time homebuyer in Ontario pays \$975 in Land Transfer Tax for a \$300,000 purchase. The City of Toronto also has a first time buyer rebate up to \$3,725 which creates a threshold of \$400,000.

Unlike the 2009 Federal First Time Home Buyer's Tax Credit incentive, an exemption for first time home buyers will have an immediate impact: many buyers saving down payment and closing cost monies will immediately be able to make their purchase rather than waiting for many months while they save after tax dollars. Savings they realize from the exemption will be put right back into the economy on home improvements and accessories. It is not as if the government is not getting dollars back from taxes when they provide relief to first time buyers.

The bottom line is, when there is a drop off in real estate activity, a reduction in land transfer revenue could be substantial too.

### **We need an immediate impact.**

**An exemption for first time home buyers will encourage young Manitobans to stay in Manitoba**

*\* Based on 1990 Sales Figures*

*\*\*Based on 2004 Sales Figures*