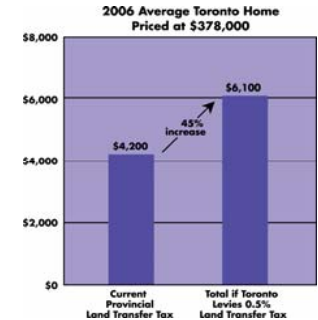




**REALTORS®, and their clients, have serious concerns about a potential Toronto Home-buying Tax:**

- A city land transfer tax on top of the provincial land transfer tax is **double-whammy regressive taxation**
- **Significant cost:** on the average Toronto home, a second land transfer tax of 0.5% would cost approximately \$1900, which represents a 45% increase in land transfer taxes. Even a 0.1% second land transfer tax represents close to a 10% increase.
- **Many homebuyers already have to heavily finance their home purchase;** having to find thousands of dollars more could force many of them out of the market. Many homebuyers would be forced to pay for the \$1890 second land transfer tax (based on 0.5% on average Toronto home) by reducing the down payment they put towards their house by that amount, which **would add \$1736 of interest to the cost of their mortgage** (based on 6% interest). This situation could be **even worse if it reduces a homebuyer’s down payment by enough to require them to pay for mortgage insurance or to increase their mortgage insurance premium**, as shown below:



**The REAL Cost of a Toronto Home-Buying Tax**

Down Payment Scenarios on Average Toronto Home Purchased at \$378,000	Original Down Payment	Mortgage Insurance Premium	Toronto Second Land Transfer Tax at 0.5%	New Down Payment (reduced by second LTT)	Extra Mortgage Interest due to Reduced Down Payment (amortized over 25 years @ 6%)	Extra Mortgage Insurance Premium Required due to reduced Down Payment	Interest on Extra Mortgage Insurance Premium (amortized over 25 years @ 6%)	Total Added Costs Resulting From Second Land Transfer Tax
<b>Scenario 1</b> Homebuyer with slightly over 5% down payment	\$19,000	2% of purchase price = \$7,180	\$1890	\$17,110	\$1,736	Reduced down payment increases mortgage insurance premium to 3.1% (\$11,187) resulting in extra premium of \$4,007	\$3,686	<b>\$11,319</b> <i>(66% of downpayment)</i>
<b>Scenario 2</b> Homebuyer with slightly over 10% down payment	\$37,900	1.75% of purchase price = \$5,951	\$1890	\$36,010	\$1,736	Reduced down payment increases mortgage insurance premium to 2% (\$6,839) resulting in extra premium of \$888	\$814	<b>\$5,328</b> <i>(15% of downpayment)</i>
<b>Scenario 3</b> Homebuyer with slightly over 15% down payment	\$56,800	1% of purchase price = \$3,212	\$1890	\$54,910	\$1,736	Reduced down payment increases mortgage insurance premium to 1.75% (\$5,654) resulting in extra premium of \$2,442	\$2,245	<b>\$8,313</b> <i>(15% of downpayment)</i>
<b>Scenario 4</b> Homebuyer with slightly over 20% down payment	\$75,600	None. Not required with down payment over 20%	\$1890	\$73,710	\$1,736	Reduced down payment now requires mortgage insurance premium at 1% = \$3,042	\$2,796	<b>\$9,464</b> <i>(13% of downpayment)</i>

- **NO Canadian jurisdiction currently has BOTH a municipal AND provincial land transfer tax .**
- The City should use care in comparing itself to U.S. jurisdictions. **In U.S. jurisdictions, homeowners are allowed to deduct the cost of mortgage interest from their income taxes, thus creating significant home ownership affordability benefits that are not available in Canada.**
- **What added benefits** would homebuyers or businesses receive for paying a second land transfer tax?
- Would make **housing less affordable in Toronto**. With an average price of close to \$380,000, Toronto is already one of the most expensive places in the Country to live.
- Would make it **more difficult for Toronto to attract new businesses**. Toronto's high business property taxes already make the City less competitive than surrounding GTA municipalities.
- Will encourage consumers and businesses to locate outside of Toronto where they wouldn't have to pay a second land transfer tax, leading to **more commuting, traffic, and smog**.
  - Recent census data shows that Toronto's growth is stalling relative to other GTA municipalities.
  - Less population growth means less assessment growth, which means LESS revenue for the City.
- Will hurt Toronto's economy by **reducing spin-off spending** that housing transactions generate for things like furniture, appliances, and renovations.
  - Every resale housing transaction generates more than \$27,000 in spin-off spending. Last year, this contributed more than \$2 Billion to Toronto's economy.
- Would **result in less, not more, revenue for the City**. By making it more expensive to live and do business in Toronto, a second land transfer tax would mean less property assessment growth for the City, which ultimately means less revenue.
- Land transfer taxes are **just another tax on property**. Why try to alleviate pressure on property tax-payers by charging a new tax on property?