



**MEDIA RELEASE**

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For Immediate Release**

**IT IS TIME TO ACT NOW**

**Provide relief to home buyers on Provincial Land Transfer Tax (LTT)**

WINNIPEG – WinnipegREALTORS® is calling on the provincial government to provide relief to home buyers in its upcoming March 25th provincial budget by modifying the significant revenues it generates on property purchases in this province. The province has seen its LTT revenues increase from \$31.0 million in 2006 to \$44.8 million in 2008, a 44% increase.

In a November 2007 land transfer tax study done by Will Dunning, the chief economist of the Canadian Association of Accredited Mortgage Professionals (CAAMP), he made the following comment.

“The amounts of these taxes have increased rapidly during the past decade. The increases have been even more rapid because the taxes are calculated based on sliding scales, and the brackets for those scales have not been adjusted.”

In each of the four provinces he compared – Quebec, Ontario, British Columbia and Manitoba - he showed from 1997 to the first nine months in 2007, the LTT payable had gone up more rapidly than house prices. Based on Manitoba’s average resale price of \$168,421 in 2007 compared to \$85,404 in 1997, the amount of LTT payable in Manitoba increased a whopping 358%, versus the 97% house price rise. Dunning said this is far in excess of any reasonable estimate of costs to operate the provincial land registry system. The percentage increases for the other three provinces were B.C at 179%, Quebec at 136% and Ontario at 113%.

His final conclusion based on the 2007 study he conducted is that ... “the taxes levied on land transfers are far in excess of any social or governmental ‘costs’ that result from the activity of home buying and therefore these discriminatory taxes are not justifiable.”

One important exception Will Dunning failed to mention in his study in respect to provincial governments making adjustments to the sliding scales they use to arrive at what a purchaser will owe them, is that in 2004 Manitoba quietly increased the over \$200,000 bracket from 1.5% to 2.0%. This has meant a real windfall in revenue due to the dramatic increase in upper end market activity in the last few years. If you go back to 2004 and compare home sales above \$200,000 then to 2008 it shows a dramatic difference. There were 4,266 sales in 2008 compared to only 1,095 in 2004. Those 4,266 sales over \$200,000 represented 45% of total MLS® home sales in 2008 compared to the 1,095 home sales in 2004 being just 12% of total MLS® home sales.

Moreover, WinnipegREALTORS® MLS® numbers show between 2006 and 2008, there was a 142% increase in homes selling for over \$300,000 – 1,283 versus 529. As a result this means the government in 2008 generated a minimum of \$2,000 on each of those 1,283 sales, just on the 2% tax applied to the \$100,000 difference between \$200,000 and \$300,000. One of the homes illustrated here shows just how much higher the home buyer tax is from the inception of the land transfer tax inception. It has gone from \$3,250 in 1987 to \$15,690 in 2008.

						
	<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	\$15,690

\* Based on 1990 Sales Figures

\*\*Based on 2004 Sales Figures

Just as the federal government has recognized the importance of the housing sector as a key economic driver in our economy and brought in new measures in their January economic action plan to stimulate housing activity, WinnipegREALTORS® proposes the provincial government similarly stimulate our local housing market by providing relief to home buyers. Note: There was \$300 million worth of economic spin-offs from MLS® sales in 2008.

**Our proposal is as follows:**

Change the current land transfer tax where Manitobans are exempt on the first \$30,000 of sale price, pay .5% from \$30,000 to \$90,000, 1% from \$90,000 to \$150,000, 1.5% from \$150,000 to \$200,000 and 2% on the sales price portion above \$200,000 to .5% from 0 to \$100,000, 1% from \$100,000 to \$200,000 and 1.5% for any amount over \$200,000 to \$500,000.

There would be a cap at the half million dollar level. Any sale above \$500,000 still generates \$6,000 in revenue for the province.

In addition, the government should seriously consider bringing in a first time home buyer exemption as B.C. and Ontario have already done. Alberta and Saskatchewan do not even have a land transfer or home buying tax.



B.C.'s threshold for first time home buyers is \$425,000. It was raised from \$375,000 in February 2008. Ontario has a threshold of \$222,000, which means the first time homebuyer pays \$975 in LTT on a \$300,000 home.

“A first time home buyer exemption will encourage young Manitobans to stay in Manitoba,” said Don Cook, chair of WinnipegREALTORS® Civic and Legislative Affairs Committee. “It is hard enough already for them to come up with the necessary money to make a decent down payment and meet all of their closing costs.”

Unlike the newly announced Federal First Time Home Buyer's Tax Credit incentive, an exemption for first time home buyers on Manitoba's LTT will have an immediate impact. Buyers saving down payment and closing cost monies will be able to make their purchase rather than waiting for many months while they save after tax dollars.

“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 Cook. “You cannot add it to your mortgage like you do with the CMHC insurance premium on a 5% down purchase. First time buyers are least able to afford this extra cost.”

“Our bottom line is the provincial land transfer tax makes home buying more costly,” said Cook. “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 spin-offs and jobs.”

Modifying the land transfer tax in the upcoming budget will be a signal to Manitobans the government is sensitive to the challenges facing us and it will mitigate against buyers moving to the sidelines in greater numbers than necessary due to economic uncertainty.

Owing to Manitoba's extremely low vacancy rate for good rental accommodations, a real benefit to motivating first time buyers to enter the home ownership market this year will be the freeing up of badly needed rental units for new immigrants and other Manitobans. It also allows first time sellers to move ahead with their plans to buy another home more suitable to their present needs.

Established in 1903, WinnipegREALTORS® is a professional association representing over 1,500 real estate brokers, salespeople, appraisers, and financial members active in the Greater Winnipeg Area real estate market. Its REALTOR® members adhere to a strict code of ethics and share a state-of-the-art Multiple Listing Service® (MLS®) designed exclusively for REALTORS®. WinnipegREALTORS® serves its members by promoting the benefits of an organized real estate profession.

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