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June 23, 2007

## City axe threatens golden goose

Reading the news out of Toronto City Hall last week, I was reminded of Aesop's fable *The Goose That Laid The Golden Eggs*.

The owner of a goose finds the bird can lay eggs of pure gold and cuts the bird open to find the gold inside her. The goose turns out to be like any other inside and, being dead, can lay no more golden eggs.

Killing the golden goose has become a metaphor for any shortsighted action that may bring an immediate reward, but will ultimately prove disastrous.

All of which brings to mind the proposal by Toronto city staff and politicians to institute a land transfer tax on the purchase of all homes and other real estate in Toronto. Ranging from 0.5 per cent to 1.5 per cent, the proposed tax could easily bring about a collapse in the Toronto real estate market.

In a position paper submitted to the city last week, the Toronto Real Estate Board (TREB) suggested the tax would be discriminatory, forcing homebuyers to pay for services everyone benefits from.

According to the TREB paper, unsuspecting homebuyers who purchase before the city imposes a land transfer tax, but take possession after it is implemented, will be penalized with a cost they had no way of knowing about. Thousands of homebuyers are currently in this position.

Under the proposed tax, Toronto would have the highest land transfer tax in the country, and, depending on the way it is implemented, the highest on the continent.

Since buyers are the ones who pay the land transfer tax, a new city tax will reduce affordability for them. Most buyers will have to reduce their down payment to pay this closing cost.

Many young buyers can barely scrape together a 5 per cent down payment on an average \$380,000 Toronto home. For them, the burden of paying for and financing a city land transfer tax will cost more than \$11,000 over the lifetime of their 25-year mortgage, according to TREB calculations.

First-time buyers on tight budgets are now able to buy new starter houses or condominiums with little or no down payment, thanks to the availability of high-ratio mortgage financing, and the \$2,000 provincial land transfer tax credit for first-time buyers of new homes from builders.

As I understand the city plan, the proposed municipal tax would affect this class of buyers, effectively reversing a very successful provincial policy and potentially wiping out a significant segment of the new home market.

According to the TREB analysis, current homeowners, especially on the city's borders, could see their property values decrease. This would impact seniors who rely on home equity when they downsize or sell out to fund their retirement.

TREB emphasizes and I agree a municipal land transfer tax will risk jobs by jeopardizing the significant contribution the real estate sector makes to Toronto's economy. Last year, this represented more than \$2 billion in economic activity for Toronto.

A second land-transfer tax will mean less housing turnover and less disposable income for those who do purchase homes, both of which will reduce reinvestment in homes. This will translate into less urban renewal as the market stagnates.

The Toronto tax will also encourage urban sprawl in the GTA as homebuyers look outside Toronto to avoid the city's land transfer tax.

On election night last November, I believed David Miller when he said, "We don't need more taxation in this country." He was right then, and he is wrong now. The city axe is poised to kill the golden goose.

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