

MEDIA RELEASE

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ELIMINATE PROPERTY TRANSFER TAX SAYS STUDY

VICTORIA – A C.D. Howe Institute study called *Sand in the Gears, Evaluating the Effects of Toronto's Land Transfer Tax*, by Benjamin Dachis, Gilles Duranton, and Matthew A. Turner says Land Transfer Taxes have significant negative effects on housing markets, including reducing sales, house values and the mobility of families.

British Columbia has an identical tax called the Property Transfer Tax (PTT). This tax is often added twice to a property in the construction of a new home, and now the Harmonized Sales Tax will be an additional burden on new homebuyers.

The PTT is paid by the builder when a lot is purchased to build a spec home. Subsequently, the PTT is embedded in the cost of building the home, and the PTT is paid again by the consumer when the completed home is purchased. In addition, the consumer will now pay the Harmonized Sales Tax starting July 1, 2010.

“The PTT and HST represent triple taxation on the same property all within about 6 months,” says Casey Edge, Executive Officer, Canadian Home Builders' Association-Victoria. “The BC government should review their policy of multiple taxes on new housing, which increases costs, drives consumers out of the new home market, and eliminates skilled jobs in our communities.”

The study says Toronto's LTT spurred a 16% drop in house sales, and a 1.5 % reduction in house values. It is estimated “at least 3,500 families” will stay in homes when they would “have otherwise moved.”

The study concludes, “Therefore, our data and analysis suggest that reducing Toronto's dependence on the LTT is desirable. Since the Ontario LTT is similar to Toronto's LTT, our data also suggest that reducing the provincial dependence on this tax is also desirable.”

Benjamin Dachis, an author of the study, reinforced his findings in an interview on August 14 with Gregor Craigie, host of CBC radio's *On the Island*.

Dachis agreed British Columbia's Property Transfer Tax should be eliminated. “These are very inefficient taxes that are effectively a tax on moving,” said Dachis. “This is something that I think would be wise for the government to reconsider.”

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Editors/News Directors: The C.D. Howe report is attached or available at http://www.cdhowe.org/pdf/commentary_277.pdf