

News Release

Sales tax harmonization will hurt resale home market

(Toronto, March 26, 2009) Ontario's REALTORS® say the McGuinty governments plan to harmonize the GST and PST will add over \$2,000 to the cost of a real estate transaction, hurting the resale home market and prolonging the housing industry's recovery from the current economic downturn.

"Now is not the time to be erecting barriers to homeownership," said Pauline Aunger, President of the Ontario Real Estate Association. "We need consumers to invest in housing to help get our economy going again."

According to the Canadian Real Estate Association, home sales in the province of Ontario were down 29 per cent in February, compared to 2008.

Under a harmonized sales tax (HST), home buyers and sellers will have to pay extra tax on a range of services associated with real estate transactions such as legal fees, moving costs, real estate commissions and home inspection fees. Currently, consumers only pay the 5% Goods and Services Tax (GST) on these services.

"These additional taxes could price some homebuyers, especially first-time homebuyers, right out of the market," explained Mrs. Aunger. "Harmonizing will not help homebuyers in any way."

For a resale house priced at \$360,000, a HST could add over two thousand dollars in new taxes to closing costs. In total, a HST will add \$313 million annually in new taxes to resale home transactions.

"In the last decade, Ontario's homeowners have faced a barrage of new costs," said Aunger. "From municipal land transfer taxes to sky rocketing property taxes, homeowners are being pushed to the brink to accommodate increasing demands from government. A harmonized sales tax is yet another cash grab on Ontario's already overtaxed homeowners."

The Ontario Real Estate Association represents 47,000 brokers and salespeople who are members of the 42 real estate boards throughout the province. Members of the association may use the "REALTOR®" trademark, which identifies them as real estate professionals who subscribe to a high standard of ethics and service.

OREA serves REALTORS® through a wide variety of professional publications, educational programs, advocacy and other services. A division of the association, the OREA Real Estate College, provides real estate registration education courses in Ontario.

QUICK FACTS

Table 1: HST and Resale Homes			
Taxable Service	Current Tax Payable	New Taxes	HST Tax Payable
Mortgage Insurance Premiums¹	\$752.40	\$470.25 ²	\$1222.65
Legal Costs	\$50.00	\$80.00	\$130.00
Real Estate Fee/Commission	\$720.00-\$1,080.00	\$1,152.00-\$1,728.00	\$1,872.00 - \$2,808.00 ³
Home Inspection	\$20.00	\$32.00	\$52.00
Title Insurance	\$24.00	\$15.00	\$39.00
Total New Tax:		\$1,749.25-\$2,325.25	

- Ontario's real estate industry is essential to the provincial economy. In 2008, real estate in Ontario accounted for \$56.6 billion in sales, \$6.01 billion in ancillary economic spending and \$1.35 billion⁴ in land transfer tax revenue to the provincial government. In addition, real estate employs 110,000 Ontarians directly and indirectly.⁵

Contact: Jim Flood
Director of Government Relations
(416) 442-3408

¹ CMHC premium of 2.75% for mortgage with a 5% down payment on a \$300,000+ home.

² Consumers currently pay the 8% PST on mortgage insurance premiums.

³ Real estate commissions are negotiable or may be a flat fee. Estimated range of 4% to 6% used.

⁴ Ministry of Finance, Public Accounts, 2007/2008.

⁵ Altus Group, "Economic Impact of MLS® Home Sales," June 12, 2007.