

Will Rob Ford be forced to break his promise to cut the city's land transfer tax?

Mayor Rob Ford seems prepared to break campaign promises on service cuts and layoffs, but remains mum on his pledge to eliminate the land transfer tax that pumped \$274 million into Toronto coffers last year.

Ford made eliminating the tax, introduced by his predecessor David Miller in 2008 to help balance the city budget, a key plank in his successful election platform.

Last Oct. 21, four days before the civic election, Ford warned he might not deliver on that promise until 2012.

Ten months later, Ford's budget chief, Councillor Mike Del Grande, is advising the mayor that, with Toronto facing a budget shortfall of up to \$774 million, the tax on real estate purchases should stay in place for 2012.

The mayor's office did not respond to the *Star's* request for comment.

"We have been told by the mayor's office they are looking at phasing the tax out over a two- to three-year time frame," said Von Palmer, spokesman for the Toronto Real Estate Board, which has lobbied aggressively for the repeal of a levy he says unfairly penalizes Toronto homebuyers.

"We are not prepared to be difficult. If it happens in the mayor's (four-year) term we're prepared to respect that," Palmer said. "This was a high-profile campaign promise. I believe he will do it because, if he doesn't, there will be a political price to pay."

Palmer said the "tax on the dream of owning a home" adds about \$5,700 to a \$500,000 purchase price, on top of \$6,500 in provincial land transfer tax.

A hot real estate market pushed last year's revenues from the tax way above city staff's \$200 million forecast, with the extra \$74 million helping Ford balance the 2011 budget and freeze property taxes.

The staff forecast for the tax's revenue this year is \$220.5 million — more than Toronto's net spending on libraries and public health combined.

If Ford doesn't at least start weaning Toronto off the land transfer tax next year, he will face the choice of a massive revenue loss in the last half of his term, or breaking a hallmark promise.

Deputy Mayor Doug Holyday said he can't imagine the tax disappearing next year and wouldn't speculate on when it will be scrapped, adding, "that money has already worked its way into the system to pay for spending increases and new employees.

"Who knew during the election we were \$774 million in the hole? I didn't know."

The gap between spending and revenue at the start of the budget cycle in 2010, Miller's last year in office, was \$443 million. In 2009 it was \$679 million.