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Economy may sabotage new land tax

Mayor sidesteps query on projection for 2009

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CITY HALL BUREAU

Toronto's new land transfer tax may have met its revised revenue target of \$155 million in 2008, but Mayor David Miller's staying mum on whether the tax, touted as an answer to the city's budget woes, will even come close to doing the job this year.

Yesterday, Miller told opposition councillor Michael Thompson, pressing for answers on whether the tax will yield the hoped-for \$240 million amid a deteriorating economy, to wait for new projections coming Feb. 10.

When Thompson, at a meeting of the executive committee, pressed harder, Deputy Mayor Joe Pantalone cut him off.

Thompson told the *Star* he fears the tax may be slowing the housing market and hurting sales of furniture and appliances. He thinks the city should scrap it and seek the province's permission for a 1 per cent city sales tax, which could bring in \$400 million or more a year.

A municipal sales tax is attractive because it would hit visitors who spend money in hotels, restaurants and shops in the city, he said.

Miller is counting on the land transfer tax to help balance the operating budget, expected to come in at about \$8.5 billion for 2009. He has promised to not increase residential property taxes by more than 4 per cent.

Councillors are expressing increasing concerns about the economy. "We are facing a crisis like we have never faced, certainly in our elected lifetime," Councillor Joe Mihevc told the committee.

"We don't know how deep this crisis is, but we should be putting together structures or committees or mechanisms – I'm not sure exactly what – to figure out how we're going to manage."

Councillor Michael Walker, another Miller critic, said the city could be in serious trouble if the welfare caseload balloons.

Walker would like to see Toronto press the province to speed up uploading of welfare costs. And he wants a special meeting of city council to discuss the economy.

His motion, at Miller's request, was referred to the mayor's office for any action that might be deemed necessary.

City staff are monitoring the economic climate and may have recommendations when the budget process launches Feb. 10, said city manager Joe Pennachetti.