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FISCAL IMPACT REPORT

ORIGINAL DATE 2/23/07

SPONSOR Grubestic LAST UPDATED _____ HB _____

SHORT TITLE Municipal Tax on Property Transfers SB 1056

ANALYST Francis

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09		
	NFI			

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Finance and Administration (DFA)
New Mexico Municipal League (NMML)

SUMMARY

Synopsis of Bill

Senate Bill 1056 would prohibit municipalities from taxing real property sales. Currently, excise taxes on the transfer of real property from one owner to another are not included in prohibited items and so can be levied.

There is no effective date so it is assumed the effective date is June 15, 2007.

FISCAL IMPLICATIONS

Currently there are no municipalities that levy this tax so there is no fiscal impact associated with this bill.

SIGNIFICANT ISSUES

A real estate transfer tax is an excise tax on the sale of real property. Some type of transfer tax is in effect in all but 13 states. New Mexico is one of those states but the statute that gives municipalities taxing authority does not automatically exclude transfer taxes and some municipalities have discussed enacting such a tax. This bill would preempt that discussion.

It is a generally accepted principle that increasing a tax on a transaction would increase the price of that transaction and therefore lower demand for the related good or service. Levying a transfer tax on real estate transfers, under this theory, would dampen demand for real estate. However, the size of the tax is a critical issue.

Currently, real estate agents typically charge a 6 percent commission on the transfer of real estate, split between the buyer's agent and the seller's agent unless they are the same. There has been anecdotal evidence that during the housing boom of the last few years there has been pressure on these commissions which operate identically to a transfer tax. That pressure has been more related to the volume of transfers and the huge increase in real estate agents giving both buyers and sellers a negotiating point. There, however, has been no empirical evidence that this convention of 6 percent has changed.

The NM Municipal League has endorsed a local option transfer tax on property above a certain level and that the proceeds could be used for affordable housing. A transfer tax on transfers of residential property over \$1 million, for example, would impact very few New Mexicans and would generate \$10,000 per house at a one percent rate.

The City of Santa Fe has seen property values increase dramatically over the last few years and that has put pressure on long time homeowners' property taxes. The level of affordable housing is extremely low and many workers have to find housing outside the city due to the high prices. There has been discussion

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Municipalities will be able to levy real estate transfer taxes.

POSSIBLE QUESTIONS

If a transfer tax were enacted in a municipality, what would the effect be on the real estate market?

Does a transfer tax affect principal residences or second homes more?

NF/nt

Attachment

Attachment: Real Estate Transfer Taxes

State	Tax Description	Transfer Fee Rate
Alabama	Deeds: \$0.50 per \$500 Mortgages: \$0.15 per \$100	0.1% 0.15%
Alaska	None	
Arizona	\$2 fee per deed or contract	Flat fee
Arkansas	\$3.30 per \$1,000	0.33%
California	Local option transfer tax: \$0.55 per \$500	0.11%
Colorado	Transfer tax: \$0.01 per \$100	0.01%
Connecticut	Transfer tax rates: 0.61% to 1.11%; nonresidential is 1% and residential has two tiers of either 0.5% or 1% based on value.	0.5% up to \$800,000; and 1% of value over \$800,000, plus .11% municipal tax.
Delaware	Transfer tax: state-local combinations from 1.5% to 2%	1.5% to 2%
District of Columbia	Transfer tax: 1.1% Mortgage Tax: up to \$250,000	1.1% 1.1%
Florida	Conveyance of realty: \$0.70 per \$100 (0.6% if county surtax)	0.7%
	Mortgage tax: \$0.35 per 100	0.35%
Georgia	\$0.10 per \$100	0.1%
Hawaii	Transfer tax: \$0.10 to \$0.30 per \$100; \$0.15 to \$0.35 per \$100 without homeowner exemption. Mortgage fee 0.1%.	0.1% to 0.3% 0.15% to 0.35% 0.1%

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State	Tax Description	Transfer Fee Rate
Idaho	None	
Illinois	County: \$0.25 per \$500 State: \$0.50 per \$500	0.05% 0.1%
Indiana	None	
Iowa	\$0.80 per \$500	0.16%
Kansas	Mortgage fee: \$0.26 per \$100	0.26%
Kentucky	Transfer tax: \$0.50 per \$500	0.1%
Louisiana	None	
Maine	Transfer tax: \$2.20 per \$500	0.44%
Maryland	Mortgage tax (local): \$2.20-\$4.00 per \$500 Transfer tax: 0.5% or (0.25% for first-time buyers)	0.44% to 0.80% 0.5%
Massachusetts	Transfer tax: \$4.56 per \$1000 (0.4% plus 14% sur-tax); also \$10 to \$20 document fee	0.456%
Michigan	State: \$3.75 per \$500 County: \$0.55 per \$500 or \$0.75 per \$500 depending on plus per 2 million population	0.75% 0.11% to 0.15%
Minnesota	Deed tax: \$1.65 per \$500 Mortgage registry tax: \$0.23 per \$100	0.33% 0.23%
Mississippi	None	
Missouri	None	
Montana	None	

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State	Tax Description	Transfer Fee Rate
Nebraska	Transfer tax: \$1.75 per \$1,000	0.175%
Nevada	\$0.65 per \$500 up to 400,000 county population \$1.25 per \$500 more than 400,000 county population (and local option mid-size county 0.1%)	0.13% 0.25%
New Hampshire	Transfer tax: \$0.75 per \$100, paid by buyer and by seller	1.5%
New Jersey	Transfer tax varies based on price and tax status (seniors, disability)	0.4%
	Homes over \$1 million add 1% surtax	1.21% rates based on value
	.1% local rate	1%
New Mexico	None	
New York	Realty transfer, state: \$2 per \$500 up to \$1 million; 1% additional over \$1 million	0.4% or 1.4% over \$1 million
	Mortgage recording tax, state: \$1.00 per \$100	1.0%
	Mortgage, New York City: \$1.00 to \$1.12 per \$100	1% to 1.12%
	Realty transfer, New York City: 1% to 1.425% based on plus per: \$550,000 home value	1% to 1.425%
North Carolina	Transfer tax: \$1 per \$500	0.2%
North Dakota	None	
Ohio	Transfer tax: \$0.10 per \$100 plus local option \$0.30 per \$100	0.4% (0.1% plus 0.3% local)
Oklahoma	Deed stamp tax: \$0.75 per \$500 Mortgage registration tax: \$0.02 to \$0.10 per \$100	0.15%

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State	Tax Description	Transfer Fee Rate
	based on term of mortgage	0.02% to 0.1%
Oregon	None	
Pennsylvania	Documentary stamp tax: 1% Philadelphia 3% and Pittsburgh 1.5% to 2% County rates widely vary	1%
Rhode Island	Realty conveyance tax: \$2.00 per \$500	0.4%
South Carolina	Deed recording fee: \$1.85 per \$500 (\$1.30 state, \$0.55 county)	0.37%
South Dakota	\$0.50 per \$500	0.1%
Tennessee	\$0.37 per \$100 Mortgage tax: \$0.115 per \$100	0.37% 0.12%
Texas	None	
Utah	None	
Vermont	Property transfer tax: 1.25% unless property is owner-occupied, in which case tax is 0.5% on the first \$100,000 of value and 1.25% over \$100,000. Qualified farms: 0.5% plus capital gains tax on land sales, based on length of ownership	1.25% (or marginal rates based on value)
Virginia	Transfer tax: \$0.50 per \$500	0.1%
	Mortgage tax: \$0.15 per \$100 up to \$10 million value, more thereafter. Local option for 1 per 3 more of state recordation tax.	0.15%
Washington	Real property sale excise tax: 1.28% of sales price, plus local option tax currently ranging from 0.25% to	1.28% 1.53% to 2.03% combined with

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State	Tax Description	Transfer Fee Rate
	0.75%.	local option
West Virginia	Transfer tax: \$1.65 per \$500 (\$1.10 state, \$0.55 county); local option \$0.55 more.	0.33%
Wisconsin	Transfer tax: \$0.30 per \$100	0.3%
Wyoming	None	
Sources: NCSL and Commerce Clearing House State Tax Guide May 2005. Compiled by National Conference of State Legislatures Fiscal Affairs Program.		