

TREBIC

Triad Real Estate and Building Industry Coalition

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Transfer Taxes

Transfer Taxes are a sales tax on all real estate sales. They are assessed upon recordation of a deed of transfer. These taxes are usually based on a percentage of the sale price of the residential or commercial property. Here the levels most frequently discussed are 1% of sale price or \$1/square foot. (Impact Fees are very different - a one time tax levied on new construction only)

Transfer Taxes create home ownership barriers. These taxes are usually collected as an additional tax at closing. This means the homeowner must have more cash at closing. If the tax can be mortgaged, then all other closing costs rise proportionately.

Transfer Taxes hurt low to medium income and 1st time buyers disproportionately because they are regressive, like all other sales taxes. These buyers pay *a higher percentage of their income* out in the transfer tax than do wealthier citizens.

Transfer Taxes Are Not Deductible. Under Tax Reform Act of 1986, real estate transfer taxes are no longer tax deductible. Property taxes are.

Transfer Taxes Multiply Taxation, thereby exacerbating real estate affordability problems. The tax is paid...

- when a developer buys land
- every time a developer transfers land between his own legal entities
- by the builder when he buys the lot
- by the homeowner when he buys the house (or a business buying a building);
- every time the house (or building) is resold thereafter

It is important to society that average people obtain homeownership, where they can build wealth and self-sufficiency, thereby relieving public social service burdens.

Transfer Taxes are anti-economic development. Fewer businesses are attracted to jurisdictions with transfer taxes, and neighboring jurisdictions without a transfer tax have a competitive advantage.

Transfer Taxes are not bondable since they are unreliable because the real estate market is cyclical and subject to downturns. Property Taxes can be bonded.

Real estate is a vital sector of the local economy that creates jobs through the effect of spin-off multipliers. Using Transfer Taxes will dramatically affect the health of the local real estate business.

Transfer Taxes in NC: In 1986 the NC Legislature authorized a 1% transfer taxes in 7 counties, and 5 of them have instituted the tax. Since then, no other transfer taxes have passed. There are no transfer taxes authorized in the Triad region.