# NAR Issue Summaries

## State and Local Issues / Real Estate Transfer Tax

## NAR Committee:

State and Local Issues Policy Committee

## What is the fundamental issue?

A transfer tax is a charge levied on the transfer of ownership or title to property from an individual or entity to another. Transfer taxes can be imposed by the municpality, county or state and can be considered an excise tax in some states.

Transfer taxes can also be called “deed recordation taxes” or an "ad valorem" tax meaning they take the form of a point-of-sale tax, equal to a percentage of the final sales price or value of the property transferred. There have been persistent attempts to enact transfer taxes in states that do not currently levy the tax. Once enacted, state legislatures have persistently attempted to increase the tax rate.

14 states do not have a statewide transfer tax: Alaska, Idaho, Indiana, Louisiana, Kansas, Mississippi, Missouri, Montana, New Mexico, North Dakota, Oregon (most counties), Texas, Utah and Wyoming.

**Read more** about taxation policies in NAR's Hot Topic Alert: State and Local Taxation in the Wake of COVID-19.

## I am a real estate professional. What does this mean for my business?

A tax on real estate transactions can lead to fewer property transactions and can make housing less affordable.

## NAR Policy:

The National Association of REALTORS® (NAR) opposes the imposition of real estate transfer taxes or fees under any condition. Whether as a general or earmarked revenue source, real estate transfer taxes and fees are a major burden to buyers and sellers, particularly at time of closing.

Additionally, these taxes and fees:

- Have a negative impact on housing costs and economic development;
- Reduce housing opportunities across the income spectrum;
- Are a particularly poor revenue source for the general operating budgets of state and local governments because of their extreme volatility.

In communities where transfer taxes currently exist, the National Association of REALTORS® urges their repeal and opposition to any increases. To lessen their impact on local housing costs, the National Association of REALTORS® encourages:

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- The redirection of this revenue source to be used for one-time capital acquisitions which are related to housing or commercial property improvements (e.g. infrastructure); and
- Exemptions to transfer taxes for first-time homebuyers and for homebuyers from low- and moderate-income households.

*Adopted, 2003. Reaffirmed, 2019.*

## Opposition Arguments:

Opponents claim that real estate transfer taxes are necessary and becoming more important because state and local governments need to raise revenue especially since the recent economic crises created budget shortfalls. Therefore, opponents claim the importance of increasing or implementing a real estate transfer tax to pay for underfunded or vulnerable programs without a consistent source of revenue. Some opponents will also claim that property taxes are too low which will decrease the amount of services the local government can provide to residents.

## Legislative/Regulatory Status/Outlook

Real estate transfer taxes have existed for over forty years. Typically the transfer tax is determined by a percentage or flat fee per unit value. Since 2000, some states have considered increasing the transfer tax. In some states with existing laws, state legislatures have considered fund allocation changes or expanding applications of the real estate transfer tax.

## Current Legislation/Regulation (bill number or regulation)

**Check out** the legislative proposals (enacted and pending) on transfer taxes by state.

*Please note that this information is current as of February 2023.*

## Legislative Contact(s):

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## Regulatory Contact(s):

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