



# **ECONOMIC IMPACT OF A REAL ESTATE TRANSFER TAX FOR THE CITY OF BOSTON**

**October 25, 2019**

**PFM Group Consulting LLC**  
**Hank Fishkind, Ph.D., Director**  
12051 Corporate Blvd.  
Orlando, FL 32817



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## ***Executive Summary***

- The City of Boston, Massachusetts is considering levying a real estate transfer tax.
- Consistent with the transfer tax being considered by the City, a real estate transfer tax is defined for the purpose of this study as: a tax imposed on the transfer of title of real property based on the value of the property being transferred or sold. This definition encompasses a wide range of tax rates and substantial variation in the way in which the tax is imposed.
- Real estate transfer taxes have been levied since Colonial times in the U.S. Today 38 states and D.C. levy these taxes along with many local governments.
- Tax rates vary widely from a low of 0.01% in Colorado to a high of 6.1% on certain transfers in New Jersey. The tax is typically tiered based on the value of the transaction.
- The professional literature analyzing the impact of transfer taxes finds that the taxes reduce the volume of sales and lower prices approximately equal to the level of the tax.
- Real estate sales in Boston have ranged from about \$3 billion in 2009 to over \$12 billion in 2018. From 2009 through year-to-date total private real estate sales have averaged \$8.4 billion.
- Given this substantial, average, annual, value of private real estate sales: a transfer tax has the potential to generate substantial revenue. The amount of revenue depends on the level of taxation. The table below illustrates the amount of annual revenue, in real \$2019 without inflation, that various levels of a transfer tax could raise.

### **Annual Revenues from Various Levels of Real Estate Transfer Tax \$2019 Without Inflation**

<b>Rates</b>	<b>Annual Revenue</b>
0.050%	\$4,222,795
0.100%	\$8,445,591
1.000%	\$84,455,907
2.000%	\$168,911,813
3.000%	\$253,367,720
4.000%	\$337,823,626
5.000%	\$422,279,533



# **Economic Impact of a Real Estate Transfer Tax for the City of Boston, Massachusetts**

## **1.0 Introduction and Background**

The City of Boston, Massachusetts (“City”) is considering imposing a real estate transfer tax. The transfer tax would be imposed on the sales of residential and commercial properties in the City. The City has retained PFM to analyze the economic impacts of the transfer tax and to project the potential revenue the tax might generate.

The transfer tax under consideration by the City is similar to the levies currently imposed in the majority of the states, the District of Columbia, and many local governments and cities. Only twelve states do not levy a real estate transfer tax.

Consistent with the transfer tax being considered by the City, a real estate transfer tax is defined for the purpose of this study as: a tax imposed on the transfer of title of real property based on the value of the property being transferred or sold. This definition encompasses a wide range of tax rates and substantial variation in the way in which the tax is imposed.

## **2.0 Review of the Literature on the Economic Impact of Real Estate Transfer Taxes**

### **2.1 Overview**

There is extensive professional literature examining the economic impacts of real estate transfer taxes and similar levies (mansion tax, flipping tax, etc.) in the U.S. and many foreign jurisdictions. The focus of the review is on how a real estate transfer tax may impact the local real estate marketplace. All of the professional literature we were able to identify relates to residential properties. Although we could not find any study of the impact of a transfer tax on nonresidential properties, it is likely that the impacts would be similar in kind for both market segments. However, the magnitude of the effect of a transfer tax is likely to differ in each segment.

### **2.2 General Observations on the Operation of Real Estate Markets**

To set the stage for the review of the professional literature on the impact of transfer taxes on real estate markets, it is useful to very briefly outline the economics involved. The purchase, sale, rental, or development of real estate



generally includes complex structures, large financial transactions for the participants, and detailed legal documentation.

Real estate products comprise a bundle of physical, locational, and intangible factors. Each parcel is unique and nonhomogeneous. Economists recognize that the owner or renter of real estate, be it a home or commercial property, makes their decision to purchase or rent based on the bundle of services that the real estate (including its physical properties and its location) provides. This in turn depends upon a variety of factors, including but not limited to: location, size, quality, bedrooms, bathrooms, equipment, configuration of the space, floor plate size, and of course price. Consumers value these services weighing the various factors. Economists model this decision making using what is termed hedonic analysis.<sup>1</sup> Using this approach all of the various factors driving real estate market decisions can be identified.

### 2.3 The Origins of Real Estate Transfer Taxes

Real estate transfer taxes are one of the oldest forms of taxation. In this country real estate transfer taxes date back to the 1760s. The hated Stamp taxes were levied by the British on documents required of ships clearing ports in the American Colonies. Stamp taxes were the source of the incidents of 1765. The American Colonies imposed taxes on legal processes to raise revenues. Alexander Hamilton recommended a schedule of documentary stamp taxes in 1794, and Federal taxes on carriages and auction sales were then imposed. Congress first levied documentary stamp duties in 1814. The federal government has had a pattern of adopting the taxes when revenue was needed, especially to support military actions, and then repealing them when the wars were over.<sup>2</sup>

### 2.4 Academic Examinations of Real Estate Transfer Taxes

Before turning to the professional literature on the effect of real estate transfer taxes on real estate markets, it is important to consider that the transfer tax is not transparent. Generally, the tax is paid by the seller who attempts to incorporate the cost, like all other seller-paid transaction costs, into the price or rent proposed. Typically, the buyer/renter is unaware of the transfer tax since the buyer is not generally obligated to pay the tax.

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<sup>1</sup> Rosen, Sherwin (1974), "Hedonic Prices and Implicit Markets: Product Differentiation and Pure Competition", *Journal of Political Economy*, Volume 82, No. 1, pages 34-55 or Sirmans, Stacy, et al. (2005), "The Composition of Hedonic Pricing Models", *Journal of Real Estate Literature*, Volume 13, No. 1, pages 3-43.

<sup>2</sup> Advisory Commission on Intergovernmental Relations (September 1964), "The Intergovernmental Aspects of Documentary Taxes: A Commission Report" A-3, pages 10-11.





The professional literature on real estate transfer taxes has generally pursued two lines of thought concerning the impact of transfer taxes on real estate markets. One focus is the direct and measurable impact of the tax on the volume and pricing of real estate transactions. The other builds on the first and includes analysis of failed transactions.

Studying residential real estate markets in Ohio, Haurin et al. (2010) found that a transfer tax increases the listing prices for homes. As a result, the timing of offers was delayed. However, there was no reduction in pricing. In addition, the tax increased the spread between the initial offering price and the closing price. Finally, atypical homes took much longer to sell than otherwise.<sup>3</sup>

A recent study of the residential housing market in Boston found that commission prices had important impacts on the market. While the commissions paid to real estate brokers are obviously not transfer taxes, the study is of interest both because it was for the Boston market and because commissions are a type of transaction cost similar to transfer taxes, which are also a type of transaction tax. In the study surveys indicate that an overwhelming majority of homes are sold using licensed real estate agents or brokers. As expected, a higher commission is associated with a higher likelihood of sale. However, the higher commission had only a modest impact on the days on the market, and surprisingly overall no effect on the sales price. It is possible that high commission agents produce lower sales prices to increase the likelihood of selling a property.

These results raise the question of how home sellers and buyers match with agents and each other. The study also casts doubt on the overall value of intermediation.<sup>4</sup> Related to the impact of real estate transfer taxes, these results concerning commissions indicate that market actors do not appear to be fully incorporating the transaction costs, which are significant in the context of the transaction. It also suggests that transfer taxes may have only muted impacts on real estate markets.

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<sup>3</sup> Haurin, Donald R., Jessica L. Haurin, Taylor Nadauld, and Anthony Sanders, "List Prices, Sale Prices and Marketing Time: An Application to US Housing Markets," *Real Estate Economics*, 2010, 38 (4), 659–685

<sup>4</sup> Jia, Panle, and Parag A. Pathak, (2010), "The Impact of Commissions on Home Sales in Greater Boston." *American Economic Review*, 100(2): 475–79.



Benjamin et. al. (1993) examined the effect of real estate transfer taxes on Philadelphia's residential housing market. They used the hedonic model of housing markets with data on residential home sales. They found that the tax caused housing prices to fall by an amount equal to the tax in the short run. The impact was larger than expected if the housing market was perfect, which it is not. This over discounting is likely the result of the news value of the tax increase, or of imperfections in the mortgage market. Nevertheless, there is a wealth transfer from property owners to the taxing authority.<sup>5</sup>

In their definitive study of the impact of a real estate transfer tax on residential housing markets in Toronto, Dachis et al. (2012) found that Toronto's 1.1% tax caused a 15% decline in the number of sales and a decline in housing prices about equal to the tax. Dachis also concluded that an increase in the property tax sufficient to generated the same revenue as the transfer tax would have less negative impact on housing markets.<sup>6</sup>

The recent study by Wojciech et al. (2014) extends the analysis of the impact of a transfer tax on residential housing markets by focusing on the tax on "mansions" in New York and New Jersey. The authors note that purchasing real estate is a time-consuming and complicated process involving large financial commitments and substantial market frictions. Beyond the price, a typical transaction involves many associated costs, including broker's fees, inspection costs, legal fees, title insurance, mortgage applications, insurance fees, and moving costs in addition to the real estate transfer tax. First, and not surprisingly, their study found that the tax distorts the price distribution resulting in significant bunching just below the "mansion" threshold price of \$1 million. Second, above the mansion threshold price, markets begin to unravel with substantial losses of sales. They conclude that a 1% transfer tax will cause a 0.7% reduction in sales. Finally, they found that both price reductions while properties are listed and discounts (the difference between final advertised and sale price) increase permanently above the threshold.<sup>7</sup>

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<sup>5</sup> Benjamin, John D., N. Edward Coulson, and Shiawee X. Yang, (1993) "Real estate transfer taxes and property values: The Philadelphia story," *The Journal of Real Estate Finance and Economics*, 7 (2), 151-157

<sup>6</sup> Dachis, Ben et al., (March 2012), "The effects of land transfer taxes on real estate markets: evidence from a natural experiment in Toronto", *Journal of Economic Geography*, Volume 12, Issue 2, March 2012, Pages 327-354

<sup>7</sup> Wojciech Kopczuk, David J. Munroe (May 2014), "Mansion Tax: The Effect of Transfer Taxes on the Residential Real Estate Market", NBER Working Paper No. 20084





The professional literature provides some clear conclusions concerning impact of real estate transfer taxes on residential housing markets. Unsurprisingly, by increasing transaction costs and thereby raising the effective price of the real estate products (for sale or for rent), the volume of sales contracts. Second, although the tax is borne directly by the seller, the imposition of the tax causes market prices to fall by roughly the equivalent of the tax.

As noted above, we could not find any studies of the effect of real estate transfer taxes on nonresidential properties. However, there is every reason to believe that the impacts on nonresidential properties would be similar to residential properties.

### **3.0 Benchmarking Survey of Real Estate Transfer Taxes in the U.S.**

#### **3.1 Overview**

Real estate transfer taxes are widely used in the U.S. Thirty-eight states and the District of Columbia impose the tax. Additionally, many local governments also levy real estate transfer taxes. As discussed below, there is wide variation in the tax rates and in the manner of their imposition.

#### **3.2 Current Real Estate Transfer Taxes by State**

Real estate transfer taxes, also called deed recordation taxes or stamp taxes, are imposed on the sale or transfer of real property located in the state. The tax is usually based on or measured by the actual price paid for or the fair market value of the real estate. Typically, the tax is collected by the local official responsible for recording deeds to real estate. The tax must be paid prior to the deed to the property being recorded. In many states, the tax is paid and evidenced by the affixing of stamps to the deed, hence the name stamp tax.

In addition, there is often a link between the real estate transfer tax and property tax administration. Information gathered in prosecuting the real estate transfer tax is frequently used to determine the fair market value of a parcel of property to assist in property appraisals and in conducting sales-assessment ratio studies.



There is wide variation in the tax rates currently imposed across the U.S. As noted above 12 states do not charge a real estate transfer tax. Arizona charges a flat rate of \$2.00 per transfer. Tax rates range from a low of 0.01% in Colorado to a high of 6.1% on some transfers in New Jersey. However, tax rates are generally low. In about 75% of the states imposing the tax, the rate is below 0.5% of the value of the transfer. In 10 states and D.C., the state tax rate is 1% or more for some or all transfers.

In California and Ohio, real estate transfer taxes are imposed only at the local level. Localities in Delaware, Maryland, Michigan, New Jersey, Pennsylvania, Washington, and West Virginia, may impose a tax in addition to the state transfer tax.

The administration of the tax varies widely. Some states and jurisdictions have a tiered or graduated rate structure, usually based on the value of either the price or other consideration paid for the property, or the mortgage secured by the property. However, most apply a single rate to all transfers.

The uses of the funds generated from transfer taxes also varies widely. Most jurisdictions simply treat the tax funds like any other source of general revenue. Others dedicate some, or sometimes all, of the taxes to specific uses. These are most often for affordable housing and open space. In some local jurisdictions the transfer taxes are set to disincentivize speculation in their housing markets.

**Table 1. Real Estate Transfer Taxes By State**

State	Tax Description	Rate
<b>Alabama</b>	Deeds: \$0.50/\$500	0.10%
	Mortgages: \$0.15/\$100	0.15%
<b>Alaska</b>	None	N/A
<b>Arizona</b>	Flat real estate transfer fee: \$2.00	Flat fee
<b>Arkansas</b>	State transfer tax: \$3.30/\$1,000 (composed of two parts: real property transfer tax - \$1.10 plus an additional tax currently at \$2.20)	0.33%
	Local optional transfer tax	0.11%



<p><b>California</b></p>	<p>\$0.55/\$500.</p> <p>Cities within a county that implements a transfer tax can have a tax rate that is half of the county rate, \$0.275/\$500, and the city tax can be applied as a credit against the county tax.</p> <p>Real estate instrument recording fee: up to \$10</p>	<p>0.06%</p>
<p><b>Colorado</b></p>	<p>Transfer tax: \$.01/\$100</p> <p>TABOR prohibits new or increased local transfer tax rates that were not in existence prior to Jan. 14, 1993. Localities' rates that imposed taxes before TABOR vary from 1% to 4%.</p>	<p>0.01%</p> <p>1% - 4%</p>
	<p>State conveyance tax is usually 1%; however, in lieu of that rate, it is as follows: 0.75% or 1.25%, based on value and use. The 0.75% rate applies to unimproved land, property up to \$800K, and to property with mortgage payments delinquent for over 6 months. The 1.25% rate applies to nonresidential property other than unimproved land and property values over \$800K.</p>	<p>0.75% - 1.25%</p>



<p><b>Connecticut</b></p>	<p>Municipal portion of transfer tax: 0.25%</p> <p>Any targeted investment community/municipality with a qualified manufacturing plant may impose an additional tax of up to 0.25%</p>	<p>0.25%</p>
<p><b>Delaware</b></p>	<p>State tax: 3% tax on value of property unless there is also a local transfer tax; then the maximum rate is 2.5%.</p> <p>Local tax: up to 1.5%</p>	<p>2.5% - 3%</p> <p>0% - 1.5%</p>
<p><b>District of Columbia</b></p>	<p>Deed recordation tax: 1.45%, or 1.1% for values up to \$400,000; first-time homebuyer reduced recordation tax rate: 0.725%</p> <p>Deed transfer tax: 1.45% or 1.1% for values up to \$400,000.00</p>	<p>0.725% - 1.45%</p> <p>1.1% or 1.45%</p>
	<p>State transfer tax rate: \$0.70/\$100, unless a county levies the optional local documentary stamp surtax, then the state rate would be \$0.60/\$100 within the county.</p> <p>Optional county documentary surtax: up to \$0.45/\$100</p>	<p>0.7% or 0.6%</p>



<b>Florida</b>	Mortgage tax: \$0.35/\$100	0.45%
	The state nonrecurring intangible tax rate is \$2/\$1000	0.35%
		0.20%
<b>Georgia</b>	State transfer tax: \$1.00 for the first \$1,000 and \$0.10 for each additional \$100	0.1% for the first \$1,000; 0.1% for each additional \$100
	Intangible recording tax: \$1.50/\$500. The maximum amount of any intangible recording tax payable with respect to any single note is \$25,000.00	0.30%
	State conveyance tax: \$0.10/\$100 on property with a value < \$600,000 \$0.20/\$100 on property with a value between \$600,000 but under \$1M \$0.30/\$100 on property with a value between \$1M but under \$2M \$0.50/\$100 on property with a value between \$2M but under \$4M \$0.70/\$100 on property with a value between \$4M but under \$6M \$0.90/\$100 on property with a value between \$6M but under \$10M \$1.00/\$100 on property with a value ≥ \$10M	0.1% - 1%
	For condos and single family residences where the purchaser is ineligible for a county homeowner's exemption, the tax imposed	



<p><b>Hawaii</b></p>	<p>for each transaction is:</p> <p>\$0.15/\$100 on property with a value &lt; \$600,000</p> <p>\$0.25/\$100 on property with a value between \$600,000 to \$1M</p> <p>\$0.40/\$100 on property with a value between \$1M but under \$2M</p> <p>\$0.60/\$100 on property with a value between \$2M but under \$4M</p> <p>\$0.85/\$100 on property with a value between \$4M but under \$6M</p> <p>\$1.10/\$100 on property with a value between \$6M but under \$10M</p> <p>\$1.25/\$100 on property with a value ≥ \$10M</p>	<p>0.15% - 1.25%</p>
<p><b>Idaho</b></p>	<p>None</p>	<p>N/A</p>
<p><b>Illinois</b></p>	<p>State real estate transfer tax: \$0.50/\$500</p> <p>County real estate transfer tax (optional): \$0.25/\$500</p> <p>Home rule municipalities with a population over 1M may impose an additional transfer tax of up to \$1.50/\$500</p>	<p>0.10%</p> <p>0.05%</p>



		0.30%
<b>Indiana</b>	None	N/A
<b>Iowa</b>	State real estate transfer tax: \$0.80/\$500	0.16%
<b>Kansas</b>	Mortgage registration tax: 0.10%	0.10%
<b>Kentucky</b>	Transfer tax: \$0.50/\$500	0.10%
<b>Louisiana</b>	None	N/A
<b>Maine</b>	Transfer tax: \$2.20/\$500	0.44%
	State transfer tax: 0.5%, or 0.25% for first-time buyers	0.25% - 0.5%
	Counties may levy a local transfer tax at a rate of up to 0.5%	0% - 0.5%
<b>Maryland</b>	<p>State recordation tax rate: \$0.55 for a property that is in 2 or more counties and is security for a corporate bond of a public service company.</p> <p>County recordation tax rates vary.</p> <p>Agricultural land transfer tax:</p> <ol style="list-style-type: none"> <li>1. 20 acres or more of agricultural land: 5%</li> <li>2. Less than 20 acres of agricultural land for agricultural use or as unimproved agricultural land: 4%</li> </ol>	3% - 5%



	3. Less than 20 acres of agricultural land assessed as improved agricultural land or agricultural land with site improvements: 3%	
<b>Massachusetts</b>	Transfer tax: \$2.00 plus a 14% surtax (total=\$2.28)/\$500	0.46%
	Only Barnstable County has reduced the basic state excise tax rate, bringing their rate to: \$1.50 plus a 14% surtax (total=\$1.71)/\$500	0.34%
<b>Michigan</b>	State real estate transfer tax: \$3.75/\$500	0.75%
	County real estate transfer tax: \$0.55 - \$0.75/\$500 depending on +/- 2 million county population.	0.11% - 0.15%
	Deed tax: \$1.65/\$500	0.33%
	Mortgage registry tax \$0.23/\$100	0.23%
<b>Minnesota</b>	\$5 transaction fee on the registration of any deed or mortgage for metropolitan counties.	
<b>Mississippi</b>	None	N/A
<b>Missouri</b>	None	N/A
<b>Montana</b>	None	N/A
<b>Nebraska</b>	Stamp tax rate: \$2.25/\$1000	0.23%
	State transfer tax: \$1.30/\$500	0.26%
	County transfer tax:	





<p><b>Nevada</b></p>	<p>\$0.65/\$500 up to 700,000 county population          \$1.25/\$500 over 700,000 county population          Counties with a population under 700,000 may impose an additional transfer tax up to \$0.05/\$500.</p>	<p>0.13%          0.25%          0.01%</p>
<p><b>New Hampshire</b></p>	<p>Transfer tax: \$0.75/\$100          Paid by buyer and by seller, making total rate 1.5%          \$20 minimum tax on transfers of \$4,000 or less, for both buyer and seller,          totaling to \$40.          Recordation fee: \$25</p>	<p>1.50%</p>
<p><b>New Jersey</b></p>	<p>NJ has several realty transfer fees:</p> <ol style="list-style-type: none"> <li>1. State fee \$1.25/\$500</li> <li>2. County fee \$0.50/\$500</li> <li>3. Additional fee of \$0.75/\$500 for deeds more than \$150,000</li> <li>4. General purpose fee that varies from \$0.90-\$2.15/\$500 for deeds more than \$350,000</li> <li>5. Supplemental fee that varies from \$0.25-\$1.40/\$500, depending on value of deed.</li> </ol>	<p>1. 0.25%          2. 0.1%          3. 0.15%          4. 0.18% - 0.43%          5. 0.05% - 0.28%</p>



	<p>6. Grantee fee on sales over \$1M have a fee equal to 1% of entire price.</p> <p>Reduced rates are available for sellers of low- and moderate-income housing who are senior citizens, blind or disabled. Rates range from \$0.50-\$3.40/\$500</p>	<p>6. 1%</p> <p>0.1% - 0.68%</p>
<b>New Mexico</b>	None	N/A
	<p>Realty transfer tax: \$2.00/\$500; additional 1% levied on transfers over \$1 million and some counties may levy more.</p> <p>NY City realty transfer tax: 1% to 2.625% based on +/- \$500K home value and type of property.</p> <p>Mortgage recording tax: 1. Basic tax of \$0.50/\$100 2. Special additional tax \$0.25/\$100 3. Additional tax:</p>	<p>0.4% or 1.4% over \$1 million, possibly more depending on county.</p> <p>1% - 2.625%</p> <p>0.50%</p>
<b>New York</b>		



	<p>\$0.25/\$100 for counties outside of the Metropolitan Commuter Transportation District and \$0.30/\$100 for counties within it.</p> <p>NY City mortgage recording tax: \$1.00-\$1.75/\$100 based on +/- \$500K home value and type of property.</p> <p>There are many other local optional taxes with rates varying by locality.</p>	<p>0.25%</p> <p>0.25% or 0.30%</p> <p>1% - 1.75%</p>
	<p>State excise tax: \$1.00/\$500</p>	<p>0.20%</p>
<b>North Carolina</b>	<p>Seven counties (Camden, Chowan, Currituck, Dare, Pasquotank, Perquimans and Washington) can levy an optional local real estate excise tax to a maximum of \$1.00/\$100.</p>	<p>0% - 1%</p>
<b>North Dakota</b>	<p>None</p>	<p>N/A</p>
<b>Ohio</b>	<p>Real property conveyance fee: \$1.00/\$1000</p> <p>Counties have the option to levy \$0.30/\$100</p> <p>County auditors must collect a \$0.50 parcel fee for each transfer of land or lot.</p>	<p>0.10%</p> <p>0% - 0.3%</p>
<b>Oklahoma</b>	<p>Documentary stamp tax: \$0.75/\$500</p> <p>Mortgage registration tax: \$0.02-\$0.10/\$100, based on term of mortgage.</p>	<p>0.15%</p> <p>0.02% - 0.1%</p>



<b>Oregon</b>	Localities are prohibited from imposing any fee or charge for transferring of title unless implemented before March 31, 1997. Only Washington County has a real estate transfer tax that pre-dates the deadline, which is <u>\$1.00/\$1000 when value exceeds \$13,999.</u>	0.1% - Washington County only
<b>Pennsylvania</b>	Documentary stamp tax: 1% Municipalities and school districts may impose a local realty transfer tax to a maximum of 1%.	1%
<b>Rhode Island</b>	Real estate conveyance tax: \$2.30/\$500	0.46%
<b>South Carolina</b>	Deed recording fee \$1.85/\$500 (\$1.30 state, \$0.55 county) Local real estate transfer fees are prohibited except for those in effect before January 1, 1991.	0.37%
<b>South Dakota</b>	\$0.50/\$500	0.10%
<b>Tennessee</b>	Transfer tax: \$0.37/\$100 Mortgage tax: \$0.115/\$100 For any instrument that requires a receipt by the county of the state transfer tax or mortgage tax, the county collects a \$1.00 fee.	0.37% 0.12%
<b>Texas</b>	None	N/A
<b>Utah</b>	None	N/A
	Property transfer tax: 1.25%	



<p><b>Vermont</b></p>	<p>or 0.5%</p> <p>Tax rate is 0.5% on the first \$100,000 of value and 1.25% over \$100,000. On a home financed with a purchase money mortgage in conjunction with the VT Housing and Conservation Trust Fund, VT Housing Finance Agency, or the US Dept. of Agriculture and Rural Development—there is no tax on the first \$110,000 and 1.25% on any amount higher.</p> <p>Property transfer return fee: \$10</p> <p>Clean water surcharge: 0.2%, however, there are special rates on select transfers.</p> <p>Capital gains tax imposed on land sales, based on length of ownership.</p>	<p>0.5%-1.25%</p>
	<p>State recordation tax:</p> <p>\$0.25/\$100 under \$10M</p> <p>For amounts greater than \$10M, the rates are:</p> <ol style="list-style-type: none"> <li>\$0.22/\$100 \$10M to \$20M</li> <li>\$0.19/\$100 \$20M to \$30M</li> </ol>	<p>0.25% under \$10M; 0.13% - 0.22% above \$10M, varies based on price</p>



<p><b>Virginia</b></p>	<p>3. \$0.16/\$100 \$30M to \$40M</p> <p>4. \$0.13/\$100 for anything over \$40M</p> <p>Deed of release recordation tax: \$0.50</p> <p>Grantor tax: \$0.50/\$500 when the consideration paid for or value of interest, whichever is greater, exceeds \$100.</p> <p>Optional local recordation tax equal to one-third of state recordation tax.</p> <p>Regional Congestion Relief Fee: \$0.15/\$100</p> <p>State deed recording fee:</p> <p style="text-align: right;">\$20</p>	<p>0.10%</p> <p>0.15%</p>
<p><b>Washington</b></p>	<p>Real estate excise tax: 1.28% plus a local optional tax that cannot exceed 0.25% of 1% of the selling price.</p> <p>Homeless Housing and Assistance (Document Recording) Surcharge Fee: \$40 surcharge on each document recorded through June 30, 2019. Exempts assignments or substitutions of previously recorded deeds of trust.</p>	<p>1.28%</p>
	<p>Transfer tax: \$1.65/\$500 (\$1.10 state, \$0.55 county) A county may levy an optional excise tax up to \$1.65.</p>	



<b>West Virginia</b>	A county with a farmland protection program has the option to levy an additional county excise tax up to \$1.10/\$500. Flat recording fee: \$20.	0.33%
<b>Wisconsin</b>	Transfer tax \$0.30/\$100	0.30%
<b>Wyoming</b>	None	N/A

Sources: [http://midpointtitle.com/wp-content/uploads/2018/05/Copy-of-transfer-tax-by-state\\_rev.pdf](http://midpointtitle.com/wp-content/uploads/2018/05/Copy-of-transfer-tax-by-state_rev.pdf)

#### **4.0 Projection of Potential Revenue from a Real Estate Transfer Tax for Boston**

##### **4.1 Historical Data on Real Estate Sales in Boston**

Boston is located in Suffolk County. Data on the dollar value of real estate sales in Suffolk County, Massachusetts are available from the County's Property Appraiser. However, data for Boston only were not readily available. Nevertheless, the City accounts for the vast majority of the County's population and real estate activity. For example, as of 2018 the population of Boston was 694,583 compared to 807,252 for Suffolk County making Boston's share 86% of the total.<sup>8</sup> Furthermore, the City is growing faster than the County as a whole. Since the Census in 2010, the City has accounted for over 90% of the growth in the County's population.

For the purposes of this study PFM will use the real estate sales data for Suffolk County as a reasonable proxy for the data more specific to Boston. Table 2 displays the historical data on real estate sales for Suffolk County and Figure 1 illustrates the trajectory for these sales. In 2018 real estate sales totaled \$12.7 billion far exceeding their prior cyclical peak of \$10.3 billion in 2014. Year to date sales have topped \$10.6 billion, but they are unlikely to exceed 2018 levels. Sales levels are volatile over the business cycle as Figure 2 shows.

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<sup>8</sup> American Fact Finder at <https://www.census.gov/quickfacts/fact/table/suffolkcountymassachusetts,bostoncitymassachusetts,US/PST045218>

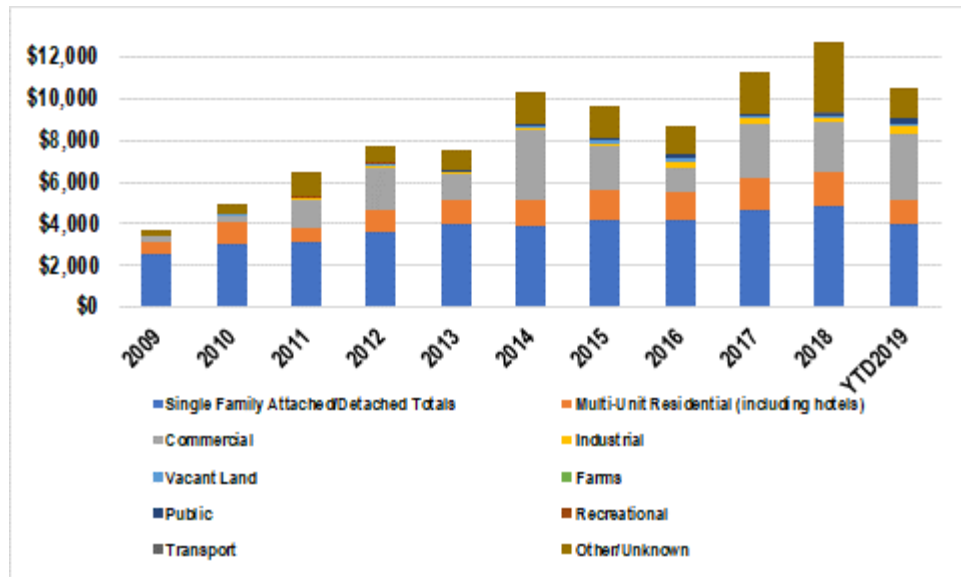


**Table 2. Real Estate Sales for Suffolk County, Massachusetts  
In \$Millions**

Year	Single Family Attached/Detached Totals	Multi-Unit Residential (including hotels)	Commercial	Industrial	Vacant Land	Farms	Public	Recreational	Transport	Other/Unknown	Total
2009	\$2,573	\$588	\$242	\$29	\$11	\$0	\$4	\$10	\$0	\$266	\$3,723
2010	\$3,074	\$984	\$355	\$11	\$11	\$0	\$6	\$8	\$0	\$518	\$4,966
2011	\$3,128	\$719	\$1,293	\$61	\$17	\$0	\$16	\$128	\$21	\$1,104	\$6,487
2012	\$3,583	\$1,076	\$2,071	\$71	\$76	\$0	\$44	\$21	\$3	\$828	\$7,774
2013	\$3,983	\$1,192	\$1,243	\$85	\$28	\$4	\$44	\$26	\$0	\$973	\$7,578
2014	\$3,866	\$1,306	\$3,315	\$133	\$70	\$8	\$82	\$33	\$1	\$1,517	\$10,330
2015	\$4,189	\$1,459	\$2,064	\$125	\$179	\$1	\$86	\$6	\$16	\$1,589	\$9,714
2016	\$4,144	\$1,398	\$1,174	\$235	\$266	\$0	\$108	\$12	\$4	\$1,412	\$8,752
2017	\$4,643	\$1,531	\$2,601	\$337	\$57	\$0	\$100	\$10	\$11	\$1,968	\$11,259
2018	\$4,866	\$1,595	\$2,450	\$135	\$96	\$0	\$164	\$8	\$56	\$3,346	\$12,714
YTD2019	\$3,993	\$1,118	\$3,212	\$372	\$69	\$0	\$317	\$19	\$0	\$1,473	\$10,574

Source: CoreLogic from the Suffolk County Property Appraiser

**Figure 1. Real Estate Sales in Suffolk County, Massachusetts  
In \$Millions**



Source: CoreLogic from the Suffolk County Property Appraiser





## 4.2 Projected Revenue from a Real Estate Transfer Tax in Boston

A real estate transfer tax has the potential to generate substantial tax revenue, given the billions of dollars of annual real estate sales in Boston. Tax revenues are obviously a function of the rate chosen and the volume of real estate sales. As to the latter, sales vary significantly over the course of the business cycle.

In the near term the economic outlook for Boston is excellent according to a recent report by Boston Planning & Development Agency Research Division.<sup>9</sup> Some highlights from the report included the following.

- (1) Economic growth: Boston's economy grew by 2.1 percent from 2015 to 2016 as measured by Gross City Product (GCP), continuing an upward trajectory in GCP since 2013. Per capita income for Boston residents grew by 5.0 percent to \$40,000.
- (2) Unemployment: The annual unemployment rate in 2017 was 3.4 percent, a slight decrease from 2016 and a continuation of the downward trend since the 2009 high of 7.6 percent. Boston's unemployment continues to be well below the state and national levels.
- (3) Job growth: From 2015 to 2016, Boston's total payroll and non-payroll jobs increased 3.2 percent to 794,038, continuing the trend of strong job growth since 2010.
- (4) Real Estate • Commercial: Boston's commercial real estate market has been strong since 2014 with growing inventory, falling vacancy rates, and rising rents. The Seaport District saw the most square footage added since 2014, while Back Bay continues to have the highest rents. • Housing: Despite growing housing stock, vacancy rates are falling while rents and sales prices are growing. Housing prices reached new highs in 2017, with 11.7 percent price growth in single family market and 8.3 percent price growth for condominiums over 2016. • Construction Activity: There were over 3.8 million construction man hours worked in 2017 on Article 80 development projects, an increase of 19.8 percent and almost 634,000 man hours over 2016.
- (5) Looking ahead: Boston's strong growth is likely to continue, buoyed by a favorable short term national economic outlook, and the city's strengths in growing industries such as health care and technology. With unemployment already at low levels, continued job growth will depend on the ability of the region to accommodate new population and housing.

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<sup>9</sup> Boston Planning & Development Agency Research Division, (May 2018), "Boston's Economy 2018", <http://www.bostonplans.org/getattachment/4c9b4906-bf32-4933-a20a-b6180a610f10>



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We concur with this conclusion and expect Boston to continue enjoying strong growth over the near term. Recent high levels of real estate sales activity are also likely to continue.

In Table 3 we present a range of potential annual revenues that could be generated by various levels of a real estate transfer tax. The foundation of the projections is the average annual pace of private real estate sales. To create the data for private sector sales, we subtracted the public sales from total sales all as shown in Table 2. Public sales were excluded because such transactions are typically exempt from real estate transfer taxation.

To estimate the average annual of tax revenue that might be generated from any level of transfer tax, we averaged private real estate sales from 2009 to year-to-date. Since this time frame includes both the bottom of the last business cycle and a full recovery, it is an appropriate basis for projecting long term revenues from a proposed transfer tax. The projections are in real 2019-dollar terms without inflation.

We estimate the transfer tax revenues that could be expected using a range of tax rates from a low of 0.05% to a high of 5%. This spans the range of most of the rates that are currently being levied. Annual revenues would then range from a low of \$4.2 million to a high of \$422 million.

Based on the literature review in Section 2, we recognize that the imposition of a transfer tax is likely to lower real estate sales. However, since we utilized the average level of real estate sales from 2009 through year to date, no other adjustments were deemed necessary.



**Table 3. Projections for Revenue from a Real Estate Transfer Tax  
Based on Private Sector Real Estate Sales and Assumed Tax Rates  
In \$2019 without Inflation**

Year	Total Private
2009	\$3,719,562,327
2010	\$4,960,644,032
2011	\$6,470,642,669
2012	\$7,730,057,729
2013	\$7,533,139,347
2014	\$10,248,196,027
2015	\$9,628,273,486
2016	\$8,644,551,995
2017	\$11,158,944,728
2018	\$12,550,631,333
YTD2019	\$10,256,853,481
<b>Average</b>	<b>\$8,445,590,650</b>
<b>Estimated Annual Revenue</b>	
Rates	
0.050%	\$4,222,795
0.100%	\$8,445,591
1.000%	\$84,455,907
2.000%	\$168,911,813
3.000%	\$253,367,720
4.000%	\$337,823,626
5.000%	\$422,279,533



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