

## State Legislature Considers Boston Real Estate Transfer Fee

*Deadline to act is approaching*

Recently, the State Legislature's Joint Committee on Revenue held a public hearing on *H.4637: An Act relative to real estate transfer fees and senior property tax relief in Boston*. This home rule petition (HRP), proposed by Mayor Wu, would allow the City of Boston to (1) impose a transfer fee on certain real estate transactions and (2) expand the senior homeowner personal property tax exemption.

**Transfer Fee** – If the HRP is enacted, the City would have the authority to charge a transfer fee up to 2% of the purchase price of a property, which would be paid by the seller. The first \$2.0M of any transfer is exempt. There are also exemptions for certain types of transfers, such as between family members, and the City may adopt additional exemptions. The exemption amount shall be evaluated every three years, and may be adjusted by the City Council with the approval of the Mayor but it cannot be reduced. All funds generated from the fee would be allocated to the Neighborhood Housing Trust to create and preserve affordable housing. The City may, by ordinance, use some revenue to support other housing programs.

**Senior Exemption Expansion** – The HRP would also help seniors afford living in Boston by expanding eligibility for the senior property tax exemption program, changing income limits from a fixed limit to 50% of Area Median Income and doubling the asset limit level. The HRP would increase the total possible exemption from \$2,000 to \$3,000.

The majority of transfer fee proponents who testified in support of the transfer fee argued that Boston has exhausted all of its housing tools and needs another long-term revenue source to handle the housing crisis. Despite having millions of federal American

Rescue Plan Act (ARPA) funds to allocate, proponents asserted that the City needs a more sustainable funding source as ARPA is a one-time revenue source. Additionally, the City expects the fee would only impact a small percentage of transfers in Boston. The City estimated that if the transfer fee of 2% had been in place in 2021, about 700 out of 10,000 transactions (7.0%) would have been subject to the fee and would have generated an estimated \$98.6M in revenue. For example, the commercial building at 50-52 Broad Street sold for \$5.6M, so a transfer fee of 2% would have cost \$72,000. The City estimated \$98.6M would have enabled Boston to build at least an additional 1,000 affordable housing units. Supporters pointed out that the real estate market in the city has been strong for quite some time and can handle the small percentage transfer fee.

Those in opposition countered that Boston has a development issue, not a funding issue and that the City should focus on maximizing all of its revenue instead of creating a new source. They argued that an alternative to the transfer fee is to fully utilize the Community Preservation Act by increasing the property surcharge tax from 1% to 3% and by allocating the maximum 80.0% of those funds to affordable housing instead of the current 50.0%. That way, everyone is taxed equally instead of targeting a specific population.

**Next Steps** – The Committee has a deadline of June 30 to act on the bill before it can be voted on by the entire Legislature. If the Committee does not act, it will be automatically labeled as 'Ought Not to Pass' but can be refiled in the following session. If passed, the Administration will have the authorization to finalize the details of how the transfer fee will be collected.