

Proposed Real Estate Transfer Fee Policies Explained

What does each mean for Boston?

Boston is facing a housing crisis. In the Greater Boston area, homeowner and rental vacancies remain low, rents and home prices continue to increase, and the cost of construction remains high. In an effort to spur the development of affordable housing, lawmakers in Boston and other municipalities have proposed implementing a real estate transfer fee. A real estate transfer fee is a tax on the portion of a real property sale above a certain price threshold. There are currently two transfer fee proposals that could impact Boston: a [home rule petition](#) passed by the City of Boston in 2022 and a local-option provision in Governor Maura Healey’s proposed [Affordable Homes Act](#). Both proposals apply to sales of all real property, impacting not just home sales but also sales of commercial and other property. The revenue generated would be used for affordable housing purposes, including acquisition, construction, rehabilitation, and preservation of units. As state lawmakers consider both pieces of legislation, this Research Update explains the key differences and similarities between the two proposals and how each would impact Boston.

Policy Comparison

Eligibility – Boston would be eligible to opt in to the Governor’s real estate transfer fee proposal because it has a municipal affordable housing trust fund.

Both proposals apply to all real property, meaning that the fee doesn’t just apply to home sales. Commercial and industrial properties, mixed-used properties, and the sale of tax-exempt property to a for-profit entity or individual are also included.

Exempted Value – The proposed Affordable Homes Act exempts the first \$1.0M of value or the county median home sale price, whichever is greater. Because Suffolk County’s median home sale price in 2023 was \$709,125,¹ Boston’s initial threshold would be \$1.0M. If the median home sale price for Suffolk County ever exceeds \$1.0M, the

Transfer Fee Policy Comparison

	Mayor Michelle Wu's Proposal	Governor Maura Healey's Proposal
Exempted Value	First \$2.0M	At least the first \$1.0M or county median home sale price, whichever is greater.
Fee Rate	Up to 2.0% of purchase price above exempted value.	0.5%-2.0% of purchase price above exempted value. Different fee rates for residential, commercial, and industrial property are permitted.
Fee Paid by	Seller	Seller
Enactment	Immediately upon signing by the Governor.	Requires City Council and Mayoral approval. Would take effect the first day of the calendar quarter 30 days following its acceptance, or later as designated by the municipality.
Implementation	Local ordinance required to establish fee rate and further exemptions.	Local ordinance required to establish fee rate(s), exemption threshold, and further exemptions.

¹ The Warren Group, MA December 2023 Sales by County

county median home sale price would become Boston’s new exemption minimum. The Affordable Homes Act also allows municipalities to implement a threshold higher than \$1.0M through local ordinance. Consequently, if the Governor’s proposal is implemented, Boston could choose to maintain the \$2.0M exemption threshold contained in Mayor Wu’s home rule petition.

Boston’s home rule petition includes an exemption evaluation process that would take place every three years. The City Council may adjust the exemption threshold with approval from the Mayor based on the percentage increase in the median citywide sale price for all properties. The exemption cannot be reduced. Without regular re-evaluation and exemption increases, the proportion of properties impacted by the transfer fee would likely rise due to increasing sale prices over time. The Affordable Homes Act allows municipalities to issue rules, policies, and procedures necessary to operate and enforce the transfer fee, but a re-evaluation process is not explicitly outlined in the bill. The state legislature may wish to include such a process in a revised transfer tax bill.

Fee Rates – The fee, paid by the seller, is calculated based on the portion of the sale price over the exempted threshold. Both the Mayor’s and the Governor’s proposals have flexible fee rates. The Affordable Homes Act applies a fee of 0.5% to 2.0% of the non-exempt sale price and allows for different fee rates for different types of property. The City’s home rule petition calls for a fee of up to 2.0% of the purchase price over \$2.0M. In both proposals, Boston would implement the details of the policy, including the fee rate, through a local ordinance passed by City Council and approved by the Mayor.

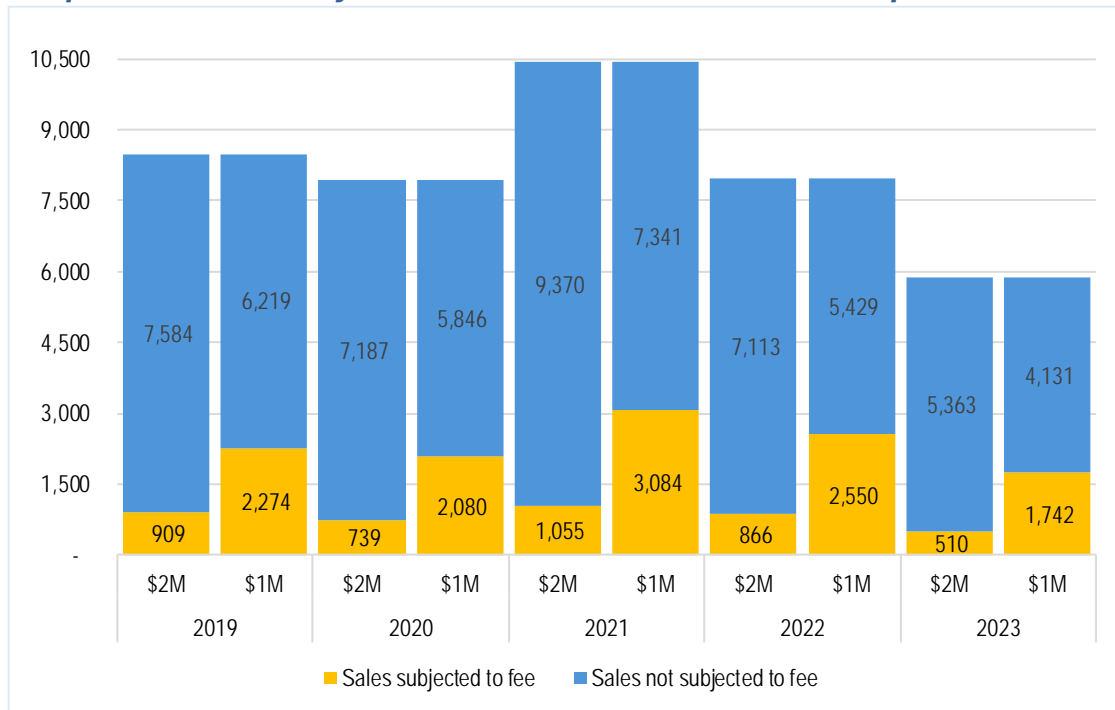
Fee Example 1: \$1.5 Million Sale				
	Sale Price	Non-exempt Value	0.5% Fee Paid by Seller	2% Fee Paid by Seller
\$1.0M Exempted	\$1,500,000	\$500,000	\$2,500	\$10,000
\$2.0M Exempted	\$1,500,000	\$0	\$0	\$0
Fee Example 2: \$2.3 Million Sale				
	Sale Price	Non-exempt Value	0.5% Fee Paid by Seller	2% Fee Paid by Seller
\$1.0M Exempted	\$2,300,000	\$1,300,000	\$6,500	\$26,000
\$2.0M Exempted	\$2,300,000	\$300,000	\$1,500	\$6,000

Exempted Transfers – The Governor’s proposal includes additional exemptions that are not included in the Mayor’s proposal. The Affordable Homes Act exempts transfers from the government, between family members, and to religious or charitable organizations that use the property for affordable housing purposes. The bill also exempts gifts, transfers of foreclosure, transfers in division of marital assets, and transfers of affordable housing units within multi-family housing developments, among others. In contrast, the home rule petition only exempts transfers between family members and transfers of convenience as defined by ordinance, as well as transfers to the government. While the Mayor’s home rule petition lists fewer exemptions, it does grant the City the authority to adopt additional exemptions through ordinance for vulnerable populations, affordable housing units, deed-restricted units, participants in City homebuyer programs, and others.

Use of Funds – Both policies require that revenue generated be used to support affordable housing. The City has indicated the Neighborhood Housing Trust would receive the funds under the state proposal, and it would receive most funds under the City proposal. The Neighborhood Housing Trust is managed by the City’s Treasury Department and can use its funds to build and purchase new affordable housing and to maintain existing income-restricted housing. Under the home rule petition, the City could allocate some transfer fee revenue to other accounts to fund housing programs like rental assistance.



Properties Affected by Transfer Fee with \$1M or \$2M Exemption 2019-2023

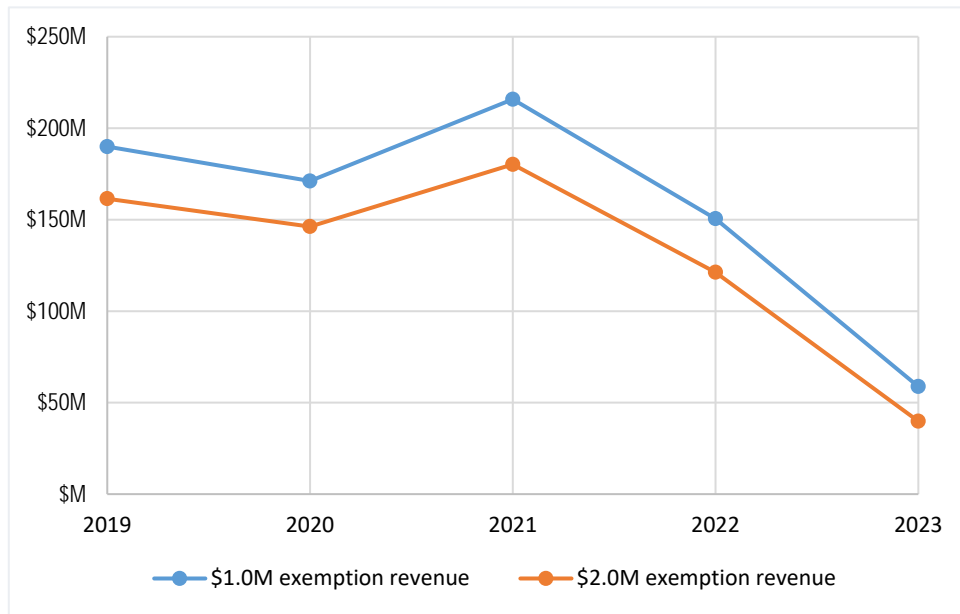


Impact Analysis

Properties Affected – To analyze how a real estate transfer fee could impact Boston, the Research Bureau used property sale data from 2019 through 2023 generated by The Warren Group. Because the data are from previous years, projections do not capture all potential consequences of a transfer fee, such as changes in the number of properties put on the market. In 2023, there were 5,873 property sales in Boston. A transfer fee with an exemption of \$1.0M would have applied to 1,742 or 29.7% of sales, generating between \$14.7M and \$58.8M in revenue depending on the fee rate implemented. A \$2.0M exemption threshold, such as the one the Mayor proposed, would have captured 510 or 8.7% of sales, and generated between \$10.0M and \$39.8M in revenue. While a \$1.0M exemption impacts far more properties than a \$2.0M exemption, it does not generate significantly more revenue relative to impacted properties. The \$2.0M exemption only subjects higher-end property sales to the fee, generating more revenue relative to the number of properties affected.

Revenue Generated – Because revenue generated through a real estate transfer fee is reflective of the real estate market, the amount of fees collected each year would fluctuate. Between 2019 and 2023, the number of property sales that would have been subjected to either fee varied only slightly. The percentage of sales over \$2.0M has remained relatively stable, oscillating between 8.7% and 10.9% of total sales. Meanwhile, the percentage of sales over \$1.0M has remained within the range of 26.2% and 32.0% of citywide sales during this five-year period. However, the number of property transfers alone is not a reliable predictor of revenue. Revenue is also dependent on the price of sales over the exemption threshold; if a decline in high-value sales occurs, revenue could drop steeply. For example, between 2022 and 2023, sales over \$1.0M decreased by 46.4%, but revenue from a 2.0% fee would have fallen by 156.1% (\$91.8M). Similarly, sales over \$2.0M decreased by 69.8% between 2022-2023, but revenue from a 2.0% fee would have decreased by 204.3% (\$81.4M).

Revenue from 2% Transfer Fee 2019-2023 (\$ in millions)

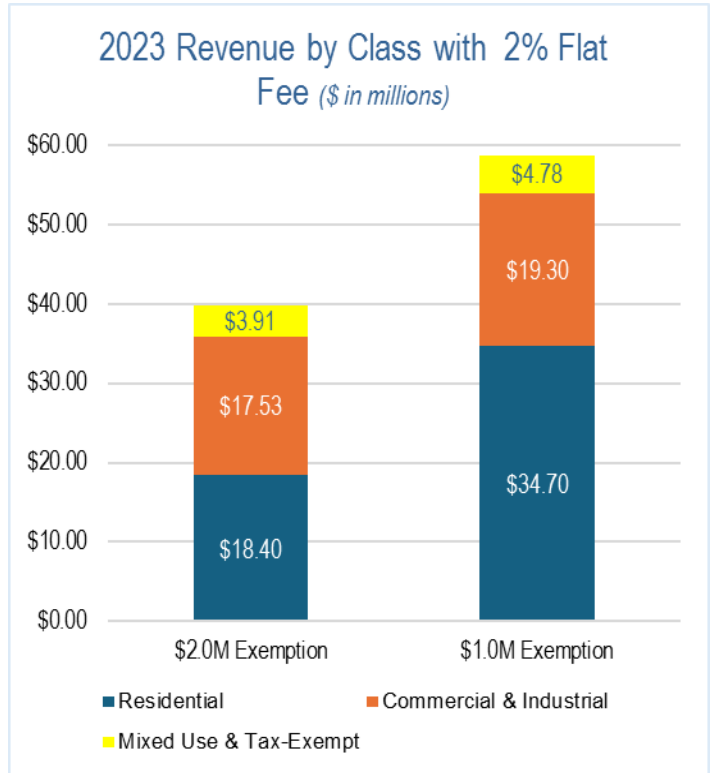
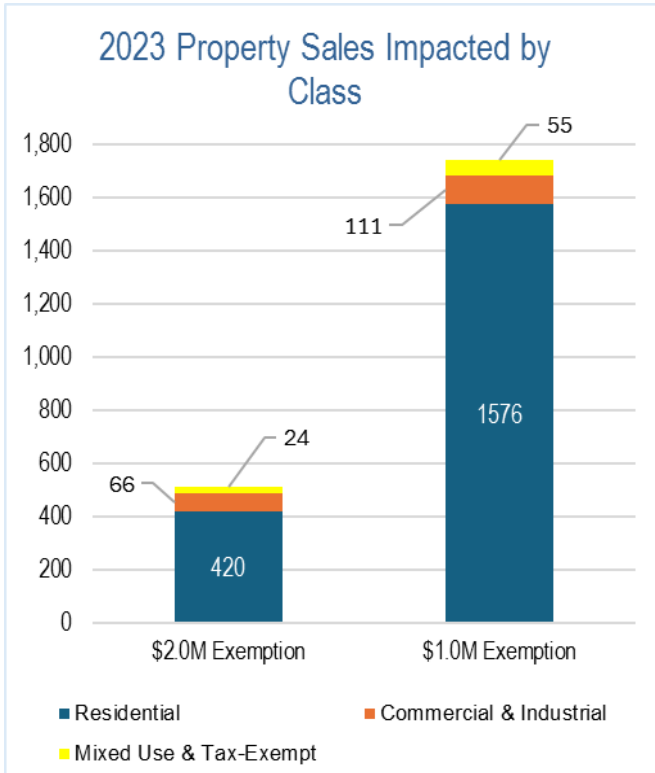


Residential vs. Commercial Impact – Lowering the exempted value from \$2.0M to \$1.0M significantly increases the number of residential properties affected by the transfer fee. In 2023, a \$1.0M threshold would have impacted 1,576 residential properties, 3.8 times the number of properties impacted by a \$2.0M exemption (420). In contrast, a \$1.0M exemption would have impacted only 1.7 times the number of commercial properties as a \$2.0M exemption in 2023.²

Commercial sales make up a small portion of the sales subjected to the transfer fee under a \$1.0M or \$2.0M exemption, yet account for a disproportionate share of the revenue that would have been generated. Assuming a consistent fee rate, commercial sales in Boston would have accounted for 32.8% of revenue generated by a \$1.0M exemption in 2023, despite constituting just 6.4% of sales over \$1.0M in 2023. Similarly, at a \$2.0M threshold, as much as 44.0% of revenue generated in 2023 would have come from commercial sales, despite commercial making up 12.9% of sales over \$2.0M. The Affordable Homes Act would permit Boston to alter the proportion of revenue residential and commercial properties generate by assigning a different fee rate to different types of property.

(continued)

² In this report, the designation “commercial” also includes industrial properties.



Impact by Neighborhood – As expected, a transfer fee based on sale price would impact Boston’s neighborhoods differently. Among all sales in the city over \$2.0M, Back Bay, South End, and Downtown had the highest volume, with 55.9% of such sales occurring in those three neighborhoods alone. However, with a \$1.0M exemption, the percentage of total sales impacted by the fee is more evenly distributed across neighborhoods, with only two neighborhoods having more than 10% of citywide sales.

In some neighborhoods, despite having a small share of citywide sales, the fee would have applied to a large share of the sales that did occur. The neighborhoods with sales that would be most affected at a \$2.0M threshold are Bay Village (44.4%), South Boston Waterfront (43.7%) and Downtown (32.9%). However, moving to a \$1.0M threshold would have caused these same neighborhoods to see over 70% of sales affected.

Explore our [interactive map](#) to find out how property transfers in each neighborhood would have been impacted in 2023.

Further Questions – Governor Healey’s local option transfer fee proposal and Mayor Wu’s home rule petition both offer a high degree of flexibility in implementation. Decisions about key details such as fee rates, exemption thresholds, additional exemptions, and policy enforcement are reserved for policymakers drafting local ordinances. The flexibility of the Affordable Homes Act’s local option would allow Boston to implement a real estate transfer fee policy that mirrors the City’s home rule petition by setting its exemption threshold at \$2.0M. As such, until a local ordinance is drafted with implementation details, it is unclear how many and what type of properties would be impacted, how much revenue would be generated, and how a real estate transfer fee would impact Boston’s real estate market. Some questions policymakers should consider further include the following:

- A \$2.0M exemption threshold would have impacted 510 properties in 2023 and generated \$39.8M if a flat fee rate of 2.0% was applied to sales. Under the same fee rate, a \$1.0M exemption

would have impacted 3.4 times the number of properties (1,742), but only generated 1.5 times the amount of revenue (\$58.8M). Is that greater impact justified given the revenue gained?

- The Governor’s proposal allows municipalities to adopt different fee rates for different types of properties. The City of Boston has historically shifted as much of its property tax burden as possible onto commercial properties, reducing costs for residents. It may choose to apply a similar strategy when implementing a real estate transfer fee. Given declining values for some commercial properties and the Wu administration’s recent proposal to temporarily increase the portion of the property tax carried by commercial properties, is applying different fee rates appropriate or wise?
- Boston already has a variety of funds that can be used to alleviate the City’s housing crisis, including the Neighborhood Housing Trust, which administers contributions from the Linkage Policy, the Inclusionary Development Policy Fund, and the Community Preservation Fund. How is the City currently using funds from programs dedicated to affordable housing and how would it deploy these additional funds? Policymakers should ensure that any transfer fee legislation includes annual reporting requirements to ensure the public can see how much is raised and how the funds are spent to generate affordable housing.