



STATEMENT OF THE GREATER BOSTON CHAMBER OF COMMERCE, GREATER BOSTON REAL ESTATE BOARD, HOME BUILDERS AND REMODELERS ASSOCIATION OF MASSACHUSETTS, MASSACHUSETTS ASSOCIATION OF REALTORS®, MASSACHUSETTS BANKERS ASSOCIATION, MASSACHUSETTS LAND TITLE ASSOCIATION, MASSACHUSETTS MORTGAGE BANKERS ASSOCIATION, NAIOP MASSACHUSETTS, NORTH CENTRAL MASSACHUSETTS CHAMBER OF COMMERCE, AND REAL ESTATE BAR ASSOCIATION IN OPPOSITION TO TRANSFER TAXES

June 17, 2024

Our coalition, representing thousands of businesses and hundreds of thousands of individuals, shares the Legislature’s goal of addressing the immediate need to increase Massachusetts’ housing supply and affordability. Transfer taxes in any form will not support these goals. Transfer taxes hurt potential homebuyers by reducing inventory<sup>1</sup> and applying pressure on home prices below tax carve outs<sup>2</sup>. In a hot market, this increases home prices.<sup>3</sup> In a cool market, it strips homeowners of equity<sup>4</sup>, with the gravest consequences effecting seniors. Transfer taxes also harm commercial assets, further decreasing the value of properties already significantly devalued in recent years.<sup>5</sup>

Creating new taxes, especially on housing, runs counter to the recently enacted historic tax relief package aimed at increasing the state’s affordability and competitiveness.<sup>6</sup> It is also unnecessary. Municipalities do not need new revenue sources to increase housing affordability. Instead, they need to utilize available revenue streams and permit more development to serve all income levels.

**Better Municipal Solutions Exist.** Massachusetts created the Community Preservation Act (CPA) in 2000 as a tool to help communities fund affordable housing. It creates a local property tax surcharge of up to three percent, a state funding match derived from a registry surcharge paid by homebuyers, and potential affordable housing allocation of up to 80%.<sup>7</sup> It has generated over \$2.5 billion in funding that could have been allocated to affordable housing. However, only 53%

<sup>1</sup> See *The Effects of Land Transfer Taxes on Real Estate Markets: Evidence from a Natural Experiment in Toronto*, [https://repository.upenn.edu/real-estate\\_papers/52/](https://repository.upenn.edu/real-estate_papers/52/), finding that a 1.1% tax caused a 15% decline in sales.

See also, *Economic Impacts of a Real Estate Transfer Tax for the City of Boston, Massachusetts*, PFM (2019), <https://docdro.id/caftLrT>, “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.... we recognize that the imposition of a transfer tax is likely to lower real estate sales.”

<sup>2</sup> [https://www.nber.org/system/files/working\\_papers/w20084/w20084.pdf](https://www.nber.org/system/files/working_papers/w20084/w20084.pdf), finding that a transfer tax distorts price distributions with significant bunching just below the tax threshold.

<sup>3</sup> Even small increases in price have significant consequences for consumers. Every \$1,000 added to home costs, prices out 1,727 Massachusetts residents. <https://www.nahb.org/-/media/NAHB/news-and-economics/docs/housing-economics-plus/special-studies/2023/special-study-nahb-priced-out-estimates-for-2023-march-2023.pdf>. Taxing multifamily properties will also increase rents, further decreasing the availability of naturally occurring affordable units provided by many small property owners.

<sup>4</sup> See e.g. Real Property Transfer Fee Impact Analysis, Somerville, Massachusetts RKG (2017), [https://s3.amazonaws.com/somervillema-live/s3fs-public/transfer-fee-impact-analysis-october-2017\\_0.pdf](https://s3.amazonaws.com/somervillema-live/s3fs-public/transfer-fee-impact-analysis-october-2017_0.pdf), “[R]eal estate professionals believe that the cost of the fee will be incorporated into the listing price of properties and passed along to the buyer. These are reasonable assumptions in a hot sellers’ market but are far less certain in a buyers’ market.... In a soft real estate market, the seller may have to absorb the fee to attract a buyer.”

<sup>5</sup> In Boston, office valuations are down 20-30% with smaller and older buildings facing losses closer to 50%. Commercial real estate prices are expected to decline 12-18% by 2029. Adding a tax to these losses will further decrease the value of already struggling commercial properties and increase risk for developers and property owners, all leading to less development, fewer new homes, and ultimately shrinking tax revenues. The decline in commercial property values is projected to cause annual tax collections to drop \$500 million below current trends by 2029. <https://www.bostonglobe.com/2023/10/30/business/downtown-boston-office-market/> and see *The Fiscal Fallout of Boston’s Empty Offices*, Boston Policy Institute, Inc., February 2024, <https://drive.google.com/file/d/1DC0GR3PTcELgB0mVDcrUdjuQ8i4Ai7i2/view?usp=sharing>

<sup>6</sup> Transfer taxes will compound impacts of the Fair Share tax for many home sellers who will already face upwards of 9% to 11% in new taxes for the year they sell their home.

<sup>7</sup> Because transfer taxes decrease housing inventory and, in some cases, home values, they raise municipal revenue to the detriment of state revenues. A 1% transfer tax in Massachusetts would decrease state deeds excise and capital gains tax revenues by \$162 million. See *The Negative Impact of a Massachusetts Real Estate Transfer Tax on Fiscal Revenue and Household Mobility*, Duranton, Han, and Turner, 2024, [https://www.massrecommunity.org/wp-content/uploads/Duranton\\_Han\\_Turner\\_unp\\_2024print.pdf](https://www.massrecommunity.org/wp-content/uploads/Duranton_Han_Turner_unp_2024print.pdf)

of communities currently use the CPA, and significantly fewer are maximizing their surcharge<sup>8</sup> or affordable housing allocations<sup>9</sup>.

**Taxing homes and apartments stifles housing diversity and inclusivity.** A sales tax on real estate decreases housing supply, magnifying an already severe inventory shortage, and increasing prices for homes below the tax threshold. If advanced, a transfer tax will do the most harm to the middle class, who, for example, already face a \$1 million price tag for the average home in Greater Boston. Taxing homes and apartments will increase income stratification, raising the already expensive market rate price to become a homeowner or renter. Ultimately, in response to transfer taxes, people stay in their houses longer to the detriment of their welfare, social mobility, and the real estate market writ-large.<sup>10</sup> Transfer taxes lock-in the status quo, discriminating against those looking to enter communities in favor of current residents, thus limiting community diversity and inclusivity.

We urge the Senate to oppose creating a sales tax on homes and commercial real estate, and instead advance policies that increase housing production at all income levels to meet the need of our residents and our businesses.

Thank you for your consideration of our comments.

<sup>8</sup> 40% of CPA communities have a 3% surcharge. [https://www.communitypreservation.org/cpc-report?report\\_src=bbzvidkqg%3Fa%3Dq&qid=28](https://www.communitypreservation.org/cpc-report?report_src=bbzvidkqg%3Fa%3Dq&qid=28). Several communities requesting transfer taxes are significantly below the 3% surcharge including, Boston (1%), Arlington, Concord, and Somerville (all 1.5%), sacrificing a total of \$78.8 million in 2022 alone.

<sup>9</sup> Housing projects have consistently made up less than 20% of all CPA activities, whereas historic preservation accounts for more than 40% and open space and recreation together comprise nearly the same share. <https://mahousingsolutions.com/>. Some communities have even used this program to prevent housing, thereby further increasing housing cost. <https://www.bostonglobe.com/2023/03/16/business/developer-proposed-housing-peabody-stop-it-city-bought-land/?p1=Article Inline Text Link>.

<sup>10</sup> This “deadweight loss” has been calculated at \$583 million for a 1% transfer tax in Massachusetts, \$200 million more than its estimated revenue. Ibid 7.