

Lance Lacy TEXAS ASSOCIATION OF REALTORS

Tax would make it harder for Texans to own homes

More than simply finding a comfortable place to live, buying a home often marks the moment we've "made it." It allows us to provide our children with the stable environment they need to flourish and gives us the opportunity to invest in our future.

Unfortunately, there are many Texans who have never experienced the rewarding feeling of owning a home. That's because Texas has one of the lowest homeownership rates in the nation — 45th out of 50 states — and the news is even worse for Austin. With a homeownership rate of only 62.1 percent, compared with a national average of 68.3, Austin ranks 12th from the bottom of a list of the 75 largest cities in the United States.

Clearly, we have a lot of catching up to do. And we have an opportunity to do just that if our legislators take a few important steps.

By now, we've all heard a lot about the 79th Texas Legislature. Many of us are eagerly awaiting more details on the Senate's tax package after having seen the version from the House. Texas Realtors supported the House's tax bill, House Bill 3, because it includes something Texans desperately need: property tax relief. Texas has some of the highest property taxes in the nation and, due to high property values, tax bills in Austin rank among the highest in the state. High property taxes represent a significant barrier to homeownership. It's important the one-third cut in school property taxes that HB 3 provides make it through the legislative process. Austin homeowners need relief, and Austin businesses will benefit as well.

In discussions regarding the Senate's plans to change HB 3, some have raised the possibility of implementing a real estate transfer tax. This is a tax on the sale of property and would simply replace one property tax with another — and do nothing to provide homeowners the tax relief they desperately need.

Proposed rates for this tax have ranged between 0.5 percent and 1.5 percent. Assuming a 1 percent tax on the average Austin home price, which in 2004 was \$198,900, the real estate transfer tax would cost homebuyers \$1,989 more at closing.

That's right. In addition to myriad costs already in place when buying a home — inspections, title and hazard insurance, appraisal, document

preparation and various other fees — Austinites would be forced to come up with an additional \$2,000 or more at closing that most banks will not roll into a mortgage loan. Combine that with Austin's high property values, and the negative impact of a real estate transfer tax — particularly for first-time buyers — becomes increasingly clear. In light of our already alarmingly low homeownership rates, do we really want to increase the cost of getting into a home?

You might be thinking, "Realtors are against a tax on real estate — big surprise!" However, there's another reason a real estate transfer tax is a bad idea: it unfairly singles out one part of the economy to bear the brunt of the tax burden. As real estate agents, we are more than willing to pay our fair share — and have demonstrated that through our support of low-rate, broad-based business activity taxes.

However, we believe it is the responsibility of all Texans to provide for our children's future. A real estate transfer tax does not distribute that burden equally. Incidentally, our current over-reliance on property taxes to pay for public schools poses a similar problem.

Real estate transfer taxes discourage current homeowners from moving. If you ever need to move, because of a job transfer, divorce or any reason, you will find the pool of potential buyers for your property has been greatly diminished. You could end up getting stuck. And real estate transfer taxes make it impossible for many struggling families to own a home of their own. If you ever emptied every account you have to come up with the downpayment for your house, just think what it would be like to need an extra grand or two at closing.

The bottom line is that any public policy that makes it even harder for Texans and Austinites to become homeowners will only contribute to this problem. While it is impossible to know what Texas senators will do until they do it, I encourage you to join me in sending a strong message to our lawmakers: We need property tax relief now. And any proposal that further increases the already-high barriers to homeownership is unacceptable.

Lacy is chairman of the Texas Association of Realtors.