

Real Estate Transfer Tax

A significant barrier to homeownership

- ★ A real estate transfer tax is a tax assessed on real estate when ownership of a property is sold or transferred from one party to another.
- ★ Under a 1.5% transfer tax with a 50-cent property tax cut, 77.2% of black households, 75.7% of Hispanic households, and 60.8% of non-Hispanic white households face net tax increases ranging from 1.5% to 0.7% of income.
- ★ Because 50% of Hispanic households and 40% of black households are likely to buy homes in the next few years while non-Hispanic white households are less likely to buy, the transfer tax will disproportionately impact those minority groups.

Average Texas home price in 2004*	Transfer tax rate	Additional funds needed at closing
\$164,400	0.5%	\$822
\$164,400	1%	\$1,644
\$164,400	1.5%	\$2,466

*Data from Real Estate Center Texas A&M University through November 2004

- ★ Owning a home is a major factor in building strong families and thriving communities. The Texas homeownership rate ranks 45th out of 50 states. Assuming a 0.5% real estate transfer tax and a \$125,000 home price, 16,000 Texas families every year would be prevented from buying a home, according to a study by the National Association of REALTORS®.
- ★ A one-time property-tax reduction becomes less valuable to homeowners every year due to inflation, while a transfer tax increases the burden on homeowners every year.
- ★ Depending on the rate adopted, the transfer tax alone will likely cost the Texas economy 8,700 to 17,400 jobs.
- ★ Homeowners would not be able to deduct transfer taxes from federal income taxes. (Current property taxes are deductible.)

“A real estate transfer tax is an unpredictable revenue source that would damage the Texas economy, lead to lost jobs, and prevent thousands of Texas families from achieving their dreams of owning a home.”

—Charles E. Gilliland, Ph.D., Real Estate Center Texas A&M University, author of Analysis of a Potential Transaction Tax for Financing Education in Texas (November 2004)