



MMBA Statement on Transfer Tax Legislation

The MMBA **strongly opposes** any efforts to establish a new sales tax on homes and real estate.

There are several bills before the legislature to increasing revenue to the Massachusetts Community Preservation Trust Fund (CPTF). While the mortgage industry believes in the importance of the mission of the CPT, how we increase funding is also extremely important. The expenses associated with financing a home in Massachusetts is already expensive. For every initiative increasing fees to fund affordable housing, those fees being proposed make it more expensive and therefore more challenging for potential homeowners to purchase a home in the Commonwealth.

A home or business is not just another asset to be taxed. A home or commercial property may be sold or transferred for any number of reasons—a death in the family, divorce, financial burden, relocation for a job, upsizing or downsizing or any number circumstances often beyond the control of the seller. Many people have used the equity in their home or business to finance schools, health care and in many cases, it could be their only funds for retirement.

By creating an entrance and exit fee on the sale of real estate we create an additional barrier to entry. Seniors looking to downsize or young families who wishing to stay in the community but need a bigger home will be paying twice. Not only would it add time and expense to an already complicated transaction, but taxes cannot be financed adding cost to housing and economic development. Such a tax would cost thousands of dollars due at closing from the buyer or taken from the seller's proceeds.

These proposals fail to recognize that the real estate market is highly sensitive to economic downturns. It bases an ongoing community need on an unstable source of revenue.

We urge the Legislature to carefully consider just how dramatically the real estate market has changed since the pandemic. We are experiencing period of uncertainty and caution, particularly in the commercial office market. Tenants who already struggled with bill payments before closing doors simply decided it was the proper time to shutter their business. Passing real estate sales tax at any time would be counterproductive but during a global pandemic is unprecedented.

The MMBA strongly opposes all legislation imposing transfer fees for numerous reasons:

- **The MMBA is deeply concerned about affordability.** Massachusetts is one of the most expensive states to purchase a home. Adding an additional .5% - 2% cost on top of down payments and closing costs will make the dream of homeownership nonexistent for the average homeowner. As an example – the median price for a single-family home in Massachusetts is **\$552,000**. A 5% down payment together with a conservative amount in closing costs and escrows means a consumer would need **about \$35,000 to purchase** that home. A transfer tax of up to 2% would require an **additional \$11,040** to purchase that home which is going to put homeownership out of the reach for many consumers.

- **The MMBA is deeply concerned if consistency is not maintained across each municipality.** Allowing municipalities to be able to set standards and exemptions for a transfer tax is a recipe for disaster. **As an example, H.2942 and H.4060 have a \$2M exclusion** in the language of the bill however the other bills do not have this exclusion. **Instead, most bills allow each municipality to determine the exclusions.**

Lenders have the obligation to provide a loan estimate of closing costs to a consumer. The disclosure of a transfer tax needs to be 100% accurate. Imagine trying to provide accurate information to a consumer when each city and town has different exclusions and rates.

- **The MMBA is deeply concerned with disparate impact.** These bills could allow a community the ability to deny low-income or middle-income borrowers a transfer tax exemption.
- **The MMBA is deeply concerned with the clarity of information available to the consumer and other parties to determine the actual amount of transfer fees in a specific municipality.**

We are strong advocates for the creation of affordable housing in the Commonwealth. We testified in favor of the Housing Choice bill and providing municipalities with a simple majority to make zoning changes to assist with this goal. **We strongly oppose creating transfer taxes that will hurt affordable housing more than help.**

Thank you for the opportunity to provide you with written testimony before the Committee.



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