RI REALTORS®
Rhode Island Association of REALTORS® & State-Wide MLS

April 23, 2024

The Honorable Marvin L. Abney
Chair
Committee on House Finance

RE: H 7257 "An Act Relating to Taxation – Real Estate Conveyance Tax"

Dear Chair Abney and Committee Members:

On behalf of the more than 6,000 members of the Rhode Island Association of REALTORS® (RIAR), thank you for accepting testimony and affording our organization opportunity to comment on H 7257- An Act Relating to Taxation – Real Estate Conveyance Tax.

REALTORS® across Rhode Island appreciate the House's commitment to improving housing access for all Rhode Islanders. The foundation of our economy is housing. According to the National Association of REALTORS®, Rhode Island's real estate industry accounted for more than $14 billion or 18.9% of the gross state product in 2023.[1] Moreover, the economic impact of a typical home sale is $134,200.[2]

At a time when soaring home prices are outpacing supply, RIAR is concerned that Rhode Island lacks a long-term vision to address housing needs at all levels. Our public policy team has been monitoring Rhode Island's financial picture and understands that legislators are faced with making difficult decisions to address housing needs throughout the state. RIAR supports your due diligence to ensure that a balanced budget is considered by the General Assembly.

H 7257 would create a new real estate conveyance tax imposed on residential homeowners that sell their property for more than $2,000,000, while allocating the new revenue to fund housing programs for elderly residents. RIAR questions the effectiveness of an arbitrary sales ceiling based on well-researched policy. Furthermore, H 7257 creates an unfair and inequitable formula for taxing real property, while exempting certain property tax classifications.

[1] The Economic Impact of Real Estate in Rhode Island
[2] **Ibid.**

RIAR is also concerned that H 7257 does not consider the unintended consequences that conveyance tax increases have on our real estate market. According to Sage Policy Group, Inc., doubling real estate conveyance taxes could impact significant investment in residential and commercial properties, as analyzed by the San Francisco Comptroller.[3] Moreover, a new unreasonable transfer tax could cost the state thousands of jobs while jeopardizing much-needed labor income and economic activity. Finally, the literature indicates that in many cases single family home sales diminish while reducing the sales prices and values of residential real estate.

In addition to the economic concerns raised in our testimony, RIAR questions the unpredictability of a "mansion tax" to generate housing opportunities. In California, homeowners are reluctant to sell their homes and avoid paying unreasonable taxes during the real estate transaction.[4] Furthermore, the State of Rhode Island could create a budget deficit, as the real estate market remains volatile in a high interest rate environment. *Can lawmakers afford to risk much-needed tax revenue for housing programs by imposing an inequitable tax policy?* RIAR asks the House of Representatives to examine sound research and not make the same mistake that is playing out in other areas on the country like the City of Los Angeles, which is considering repealing their "mansion tax." In Chicago, voters overwhelmingly opposed a new transfer tax on properties that sell for more than $1,000,000.[5]

As always, the Rhode Island Association of REALTORS® is prepared to work with legislators on policies that improve Rhode Island's housing position and production. Prior to considering increasing taxes, we believe that lawmakers should implement effective policies based on sound research. For the reasons stated in this testimony, RIAR respectfully asks that you take no action on H 7257.

Sincerely,

Philip B. Tedesco, RCE, CAE, CIPS
Chief Executive Officer

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[3] transfer-tax-final-2022.pdf (naiop.org)
[4] US cities' mansion taxes see mixed results
[5] Chicago voters reject 'mansion tax' to fund homeless services during Illinois primary