



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

JANUARY 18, 2024

Our coalition representing thousands of businesses and hundreds of thousands of individuals wishes to record our strong opposition to transfer taxes, such as the tax proposed in the Affordable Homes Act. Transfer taxes hurt potential homebuyers by increasing prices,<sup>1</sup> reducing inventory,<sup>2</sup> and applying pressure on home prices below tax carve outs. They also harm commercial assets, further decreasing the value of properties already significantly devalued in recent years.<sup>3</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>4</sup> Taxing only certain home or commercial property buyers and sellers is unfair. It is also unnecessary. Municipalities do not need new revenue sources to create affordable housing. Instead, they need to utilize available revenue streams and permit more development to serve all income levels.

**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%. It has generated over \$2.5 billion in funding that could have been allocated to affordable housing. However, only 53% of communities currently use the CPA, and significantly fewer are maximizing their surcharge<sup>5</sup> or affordable housing allocations<sup>6</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. This will most harm 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, these taxes discriminate against those looking to enter communities in favor of current residents, constraining community diversity and inclusivity.

We urge you to oppose creating a sales tax on homes and instead support the creation of pro-development policies.

Thank you for your consideration of our comments.



<sup>1</sup> For every \$1,000 added to home costs, another 1,727 Massachusetts residents are priced out. <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>2</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/)

<sup>3</sup> In Boston, office valuations are down 20-30 percent with smaller and older buildings facing losses closer to 50 percent. 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. <https://www.bostonglobe.com/2023/10/30/business/downtown-boston-office-market/>

<sup>4</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>5</sup> 40% of CPA communities have a 3% surcharge. [https://www.communitypreservation.org/cpc-report?report\\_src=bbzvidkag%3Fa%3Dq&qid=28](https://www.communitypreservation.org/cpc-report?report_src=bbzvidkag%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>6</sup> Housing projects have consistently made up less than 20 percent of all CPA activities, whereas historic preservation accounts for more than 40 percent 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>.