

Realtors group beats drums against tax

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This may be a difficult time to sell a house, but it's a good time to try to kill a proposed local-purpose tax on house sales.

With prices and home equity falling, homeowners are more likely to notice and be concerned about some of their homes' values going to government.

The New Jersey Association of Realtors is taking advantage of the cyclical nature of housing to mount a half-million-dollar campaign this fall against property sales taxes, formally known as realty transfer fees.

The state has charged such a fee since 1968, raising it in 2003 to become a significant source of revenue. A \$250,000 house sale, for example, requires a \$1,325 payment to the state.

The Realtors would like to pre-empt further increases in the tax, but what worries them more is a proposal in the Legislature to allow municipalities to collect such a tax, as well.

Jarrold Grasso, vice president of government affairs for the Realtors, said the lame-duck session following next month's election is when such a tax measure might be considered.

Bills in the Assembly and state Senate would give municipalities the authority to institute by ordinance a realty transfer fee of as much as 50 cents per \$500 of property value sold - a tax of 0.1 percent.

Grasso said this is a good time to call attention to the proposal.

"What we can use to our advantage is that home prices aren't increasing at the rate they were in 2003, when (then) Gov. McGreevey proposed the realty transfer fee increase," Grasso said last week. "His argument was, the philosophy was, home prices are increasing by leaps and bounds, so they're going to make money on it when they sell."

So much money that homeowners wouldn't mind and maybe not even notice the increased state fee. Now, things are different.

"Somebody who bought a house last year might not have the equity built up to pay this transfer tax when they go to sell their home," Grasso said.

The local property transfer tax proposal was initiated, as you might have guessed, during the real estate boom a few years ago by the state League of Municipalities.

William Dressel, executive director of the league, said municipalities need the option of other sources of revenue if they're going to reduce the state's highest-in-the-nation property taxes.

"We're unlike other states. Their municipalities have other revenue sources such as franchise taxes, gross receipts taxes, local sales taxes, local wage taxes," Dressel said. "The only source in New Jersey, generally speaking, for local government is set forth in the state Constitution as the local property tax."

But on property taxes, he said, municipalities face pressures beyond their own responsibility.

"We get a very small part of it. Just 10 (percent) to 12 percent goes for municipal purposes. Seventy (percent) to 80 percent goes for education, yet we take the political heat," Dressel said.

The league sees a local property transfer tax as a small but significant help, similar to the local hotel-motel tax it championed and got authorized several years ago. He said 265 of the state's 566 municipalities have adopted such a tax.

Dressel said the bills in Trenton likewise would let each municipality consider a property transfer tax in an open process with plenty of opportunity for local realty interests to express their concerns.

For the Realtors, Grasso said a property-transfer tax isn't a suitable source of municipal revenue because the amount collected would vary widely with the boom-and-bust cycle of the real estate industry.

"There would never be a guarantee that the money would be coming in," he said. "The Legislature really needs to find other ways to help municipalities balance their budgets."

The New Jersey Association of Realtors campaign includes an online site - **njhometax.com** - urging visitors to lobby their legislators to get the local transfer fee bills withdrawn.

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