

**OPPONENT TESTIMONY****SB 510 Allow county property tax relief through local option realty transfer tax****Senate Taxation Committee  
Mar. 18, 2005, 8:00 a.m., Rm. 405****Julie Dolan, Member**Montana Association of REALTORS®  
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Good morning Chairman Elliott and distinguished members of the committee.

For the record, my name is Julie Dolan and I have been a member of the Montana Association of REALTORS® for 17 years and served as its president in 2003.

On behalf of our nearly 3800 members and affiliates statewide, I rise in opposition to Senate Bill 510. I would like to quickly outline why the Montana Association of REALTORS® is opposed to Senate Bill 510.

**Our chief concern with SB 510 is the propensity of realty transfer taxes to expand in scope and to “creep up.”** This propensity is indicative of states all over the nation. Once the tax is put into place, even if it’s merely a local option, it invariably becomes a statewide tax that removes exemptions, rate freezes, and expiration dates. We realize that SB 510 starts off local, but we are concerned that a future legislature will do exactly what other states have done with their realty transfer taxes.

When, not if, that happens, I would encourage the committee to consider the impact that a realty transfer tax would have on Montana’s home buyers and sellers.

**First, once a realty transfer tax is in place, housing becomes less and less affordable and available.** Realty transfer taxes add to the cost of purchasing a

home and are particularly troublesome to those who are already struggling to come up with a down payment and closing costs. An extra few hundred dollars at closing can prevent low to moderate income home buyers from being able to buy a home. Please keep in mind that a few hundred dollars incorporated into a mortgage is a lot more than a few hundred dollars after paying 30 years of interest. There are some types of loans that do not allow the tax to be built into the mortgage, which means the cash has to be available at closing.

Moreover, home buyers who may want to move up to a larger home may avoid doing so because the realty transfer tax will penalize them by stealing their equity. When move up buyers are discouraged, it decreases the supply of moderately priced housing. And, as we know from simple economics, decreasing the housing supply will lead to higher housing prices.

**Second, Montana home buyers and sellers, not wealthy out-of-staters, will pay the largest portion of a realty transfer tax.** Realty transfer taxes only tax home owners that move. If you stay in your home all your life, you don't pay the tax. "Movers" in Montana are predominantly Montanans. According to a report from the Center for Applied Economic Research at MSU-Billings, between the years of 1995 and 2000 there were 386,000 "movers" in Montana out of a population of 840,000. Of those "movers," 71 percent were Montanans. "Movers" from Washington and California, for example, represented only 4 percent and 3.8 percent respectively. Regardless of how a realty transfer tax might be packaged, Montana home buyers and sellers will be the ones paying for it.

Instead of singling out home buyers and sellers, we strongly recommend that the committee consider other tax proposals that equitably tax our citizens and lead to property tax relief. One example of equitable taxation that we are supporting is SB 184, which authorizes local governments to enact a sales tax on goods. We are supporting SB 184 because we believe it will entail future property tax relief for Montanans.

Thank you for your time and consideration.