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Don't let transfer tax fog fool you

Larry Young has been out of character, by his own description, in recent weeks. The commissioner who styles himself as the fiercest taxpayer watchdog on the Board of Commissioners has been speaking out for a tax increase. "Have you ever heard of a county commissioner asking the public to keep your property taxes low?" he says. Commissioners promote the land transfer tax as the less painful of two choices to pay for school construction and other capital projects. The other is a property tax, and commissioners say they want to avoid that. The School Board and the Greater Hendersonville Chamber of Commerce also have endorsed the .4 percent land transfer tax. "The land transfer tax was rated as having the least impact on businesses operating in Henderson County because businesses tend to operate from the same location over a great length of time -- not buying and selling and changing locations on a regular basis," the chamber said in its bimonthly business report last week. "Because the land transfer tax is paid only when a piece of property is sold, it is more palatable than a property tax increase" that all would pay every year. The real estate industry's slick Raleigh-generated campaign against the land transfer tax ought not fog basic common sense and good economic sense. The land transfer tax is good for schools. It's better for homeowners and businesses than the alternative. It sets aside a source of money tied to the area's growth to help pay for growth. It's not an impact fee per se, but it's as close as we're likely to get. Opponents say that the land transfer tax will be paid by current residents and not newcomers because residents buy and sell houses. Same would be said of a true impact fee on new homes; current residents buy new homes too. A report from a Raleigh think tank says Henderson County has \$19 million that could be used to build new schools -- and \$174 million over 10 years. The purportedly conservative John Locke Foundation has lost its fiscal bearings on this one. The numbers come from projections of revenue growth without projecting growth in costs. It's smoke and mirrors. Dig deeper into the analysis and all you'll find is \$3.1 million in actual revenue -- and all but a half million is one-time cash out of the fund balance. That's fiscally reckless. Opponents say the land transfer tax is "a permanent" tax. This is a classic strawman. No one has said otherwise. In this state, as the Democratic leadership in Raleigh has shown, even "temporary" taxes are permanent, as the half-cent sales tax has proved to be. But a "permanent" tax that 97 percent of property owners avoid paying is better than an increased property tax year after year. The real estate industry says the land transfer tax is a tax on our home equity. Yet it's also a tax that drives up the cost of housing. Can't be both. It's either passed on or it's not passed on. And here's another one. A .4 percent tax is going to suppress home sales but thousands of dollars in other closing costs will not. Somehow home sales are not negatively affected by a 6 percent real estate commission, an appraisal fee, title search costs, document preparation,

attorney's fees, surveys, pest inspections, existing doc stamp fees or any of the 27 fees, add-ons and pro-rated costs that are figured on the standard HUD settlement. As Commissioner Young put it, "There's a lot of misinformation going on." Opponents have made an aggressive case against the land transfer tax but in the end an unconvincing one. The land transfer tax has two things going for it that are easy to understand. Passing it is in the broader community interest and for nearly all homeowners it's in their narrow economic self-interest.

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