

*Ford:*

## Sell house, pay tax, count blessings

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Tax my home? Why, who's the conniving rascal who would tax my *home*? Oh, you mean they can do that? They *already* do it? (Slaps forehead): The property tax! What were we thinking?

True, the N.C. Association of Realtors, in its latest blasts against the "home tax," permits itself just a shade of nuance in targeting a tax ostensibly on home equity. "Taxing the Equity in Your Home is a Bad Idea," the association spouted in a full-page N&O ad last Wednesday.

Since this all has to do with a real estate transfer tax, which the Realtors are desperate to knock from the legislative rails, one could see an argument for how home equity could be affected.

The tax would be paid by the seller in a real estate transaction. The rate commonly suggested in a raft of bills now floating around the General Assembly is 1 percent of the sale price. So on a \$250,000 deal, say, the seller's return conceivably would be reduced by \$2,500, another way of saying that his equity in the house would have shrunk by that much.

But there is a huge caveat: For the seller to forgo that \$2,500, he would have to absorb the cost of the tax all by himself. What seller in such circumstances wouldn't try to make the buyer pick up at least some, if not all, of the freight?

It has to be the upward pressure on prices that concerns the Realtors. They couch that concern in terms of narrowed opportunities for home ownership, and higher prices certainly could have that effect. It's also easy to see the real estate industry's interest in avoiding additional costs in home sales that might be a disincentive for somebody to put their house on the market or to go house-shopping.

What those folks tend to gloss over are the ongoing property tax costs that all owners face and that a transfer tax would be meant to mitigate.

It's no coincidence that support for a real estate transfer tax is most enthusiastic in areas where local governments are having the most difficulty stretching property tax revenues to cover expenses. Wake County could well be Exhibit A. (In fact, the tax already is levied by some high-growth counties in the state's northeast.)

Bills that would widen the authorization for such a tax are floating around with some on-the-ball Wake legislators as sponsors. And a citizens group called WakeUP Wake County is getting a good cardiovascular workout with its drum-beating.

WakeUP's mantra is "fair growth funding." Folks who jammed an upstairs room at the Cameron Village library the other night for a get-together hosted by the group received an earful about what's at stake. Of course county commissioners

Chairman Tony Gurley, who showed up to participate in a panel discussion, didn't need WakeUP to remind him that growth

has forced the county's back to the financial wall.

The pressure for year-round schools -- "more seats, less money," as Gurley put it -- is a symptom, as is the struggle to finance improvements to a clogged road network. The property tax, which remains low in Wake despite modest increases, could be raised to better meet growth's costs, but resistance remains formidable. Plus, property taxes are an ongoing expense even for homeowners who have lived in the county their whole lives.

Rep. Jennifer Weiss of Cary, a transfer-tax backer (her legislation would hinge the tax on approval by local officials and voters), urged those at the WakeUP gathering to lobby hard. In the Realtors, they're up against a group whose PAC was the top contributor to legislative campaigns the last time around.

Later, Weiss told me that she favors giving counties a range of additional revenue choices. But a real estate transfer tax has the edge over impact fees, she said, because it raises more money on a broader base (both residential and commercial land transactions). And it's not as regressive as a higher sales tax.

It's one thing to make newcomers pay more. But what about a married couple, long-time residents, who are nearing retirement and planning to sell their house as they downsize? Why's a transfer tax fair in their case?

First, Weiss said, it would help avoid the need for higher property taxes that they'd have to pay all the while. The transfer tax would be due only when they'd sold their house, with money in hand. "Also, they would have benefitted from the growth in our area," she said. "The value of their house has appreciated."

Even Tony Gurley, pressed by the WakeUP crowd, conceded he could go for a transfer tax, although he'd rather it be in a package of new revenue tools. The Realtors can squawk all they want, but a "home tax" shapes up as an entirely reasonable way to help pay for the growth that's their bread and butter.

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