

REALTORS® Defeat Transfer Tax Proposal Twice This Year!

The real estate industry was under attack again this year by governmental agencies and other organizations eager to squeeze more money from the real estate market to the detriment of Colorado's citizens. To give you a better understanding of how legislation and initiatives impact your ability to do business, here is a detailed account of how the real estate transfer tax proposal worked its way through the public policy process.

The first attempt happened in the State Legislature with the introduction of HB08-1340, entitled "Colorado Housing Investment Fund" in February. The bill, sponsored by Representative John Kefalas of Fort Collins and Senator Betty Boyd of Lakewood, would have established a "Colorado housing investment fund" in the state treasury.

The fund would have been supported by a "document fee" which charged 5 cents per \$100 in a residential sale and 2 cents per \$100 in a commercial or vacant land sale. Supporters of this bill asserted that a document fee was not the same thing as a real estate transfer tax. Thereby enabling them to justify a legislative measure and not a measure subjected to the vote of the people; as all other tax increases require.

Recognizing that increasing the document fee by 500% for residential housing and doubling it for commercial property was not the answer to keeping housing affordable; the Colorado Association of REALTORS® (CAR) began an aggressive campaign to educate Legislators on why a document fee increase would actually hurt housing affordability in Colorado. Led by a team of volunteer REALTORS®, talking points were distributed to discuss the reasons why a document fee was not the solution to fund a state-wide affordable housing program. The CAR Issue Mobilizations Committee, which is funded by membership dues, approved funds to commission research and analysis of programs, government grants and other authorities that collected and distributed dollars for affordable housing in Colorado. The findings of this research were staggering with an estimated \$700 million spent annually for affordable housing in Colorado.

On March 5, the bill went before the House Finance Committee for discussion and witness testimony. The testimony lasted over 3 hours and was closely monitored by CAR and Pikes Peak Association of REALTORS® (PPAR) Government Affairs Departments, and other REALTOR® volunteers. Greg Zadel, 2008 CAR President, testified against the bill and presented the research collected by CAR. A representative of the Colorado Division of Housing testified that after reviewing the research presented by CAR, Governor Ritter did not support the bill. A representative of Housing Colorado, who testified in favor of the bill, was later forced under questioning by the Finance Committee to admit that the terms "document fee" and "real estate transfer tax" were used synonymously in the proceedings of the Colorado Blue Ribbon Panel on Housing.* This was a direct contradiction of proponents' earlier claims that the two terms were different. After the testimony, the Finance Committee Chairman, Representative Joel Judd, tabled the

bill for consideration at a later date because the Sponsor did not feel that there were enough votes in the Committee for passage.

On April 2, a motion was made to bring the bill back to the table for consideration at which time the Sponsor asked that it (the bill) be postponed until the day after the Session adjourned. This action was taken because proponents of the bill knew that there was not enough support in the Legislature to get it passed and had thus submitted the proposal to the Title Setting Board for consideration as an Initiative for the November 2008 ballot.

The submitted Initiatives included 4 different versions of a proposed real estate transfer tax. Proponents were successful with getting title approval of Initiative #103, known as the "Colorado Housing Investment Fund" which would establish a statewide housing fund to support affordable housing opportunities. The verbiage of the Initiative changed "document fee" to "real estate transfer tax" but that wasn't the only change. Initiative #103 also stated that the transfer tax would be 4 cents for each \$100, but failed to set a cap on the transfer tax. If approved by the voters, it would have subsequently become exempt from the Taxpayer Bill of Rights (TABOR), which requires any tax increase to be put before the voters for approval, and any other limit on revenue or spending under Colorado law. The transfer tax could then have been increased to any amount, at any time, without ever having to go through the voters again.

CAR's Issue Mobilization Committee approved additional funds to commission a poll of registered voters to find out if in fact Colorado voters would have approved a transfer tax as had been suggested by the proponents. The results showed that Colorado voters overwhelmingly oppose a real estate transfer tax. The polling data coupled with CAR's earlier research and repeated attempts to negotiate for alternative solutions, lead to the proponents withdrawing the measure for consideration at a later date.

Initiative #103 and HB08-1340 would not have been defeated without the hard work and diligence of the Government Affairs Divisions at CAR, PPAR and the significant time and effort spent by REALTOR® volunteers fighting this detrimental issue. REALTORS® have a vested interest in creating affordable housing that everyone has access to, however it is important to understand that the availability of affordable housing is a broad based problem that requires broad based solutions.

REALTORS® recognize that the diversity of viable housing opportunities is essential in ensuring that all communities and its citizens in Colorado thrive. The Colorado Association of REALTORS® Housing Opportunities Foundation (CARHOF) was established in 1990 for the purpose of promoting safe, decent and affordable housing for everyone in Colorado. Since its inception, CARHOF donations have totaled more than \$6 million and it was awarded the Best Innovated Partnership with a REALTOR® Award from NeighborWorks America in 2005. To learn more about CARHOF visit the CAR website at www.coloradorealtors.com and click on the CARHOF link or contact Barb Asbury, 2008 PPAR CARHOF Chairperson, at 687-1700 or barbara@utepass.com.

CAR has published a brochure about real estate transfer taxes and it can be viewed on the CAR website at www.coloradorealtors.com. For more information on this or other Government Affairs issues contact

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**The Colorado Blue Ribbon Panel was a joint project of the Colorado Division of Housing and the Rocky Mountain Land Use Institute at the University of Denver which sought practical, effective solutions to Colorado's housing challenges that also promote cooperation across levels of government and between public and private organizations.*