CAMBRIDGE CHAMBER OF COMMERCE

There are many reasons why the debate over the real estate transfer tax which took place in many communities and in the state legislature during the past ten years resulted in decisions to reject such a tax as a source of new revenue.

1. A real estate transfer tax is a tax on homeownership. It increases substantially the cash needed at the time a home is purchased, and no services are received for it.

2. A real estate transfer tax is not deductible for the purpose of federal income taxes.

3. If the real estate transfer tax is to pay for affordable housing, where should the line be drawn between those who are asked to pay and those who are to receive the benefits?

4. A real estate transfer tax is an undependable source of revenue for programs which require predictability over time, because the amount of funds generated by such a tax fluctuates both with real estate values and the volume of sales transactions.

5. A real estate transfer tax based on the sales price of property is a tax not only on the equity in a property but on the unpaid mortgage balance as well. Persons selling their property at a loss may already be suffering form insufficient equity to repay their lenders. The addition of a transfer tax obligation would be an untenable burden.

6. During the past two years the state has voted substantial increases in taxes and still must cut its budget in order to manage its fiscal responsibilities during these difficult economic times. The new Governor and many state legislators were elected on pledges of no new taxes. This is not the time to refocus the energies of our City officials on a study of a new and inappropriate real estate transfer tax.

Sincerely,

R.D. Lewis

Robert D. Lewis
Executive Director
for the Board of Directors

CAMBRIDGE CHAMBER OF COMMERCE

December 13, 1990

To Cambridge City Council:

The Board of Directors of the Cambridge Chamber of Commerce voted unanimously to oppose order #22, to investigate the development of a Real Estate Transfer Impact fee. This Order will come before you for a vote on Monday, December 17, 1990. If you approve this Order, it will set in motion a process which apparently is intended to create a new tax on the sale of real estate in Cambridge.

The Chamber wishes to be recorded in opposition to Order #22. This Order would require the City Manager, Finance Director, and staff of the Department of community Development and the Assessors Office to devote their time during the next month to the investigation of such a tax. The Chamber believes that the time and energy of our City officials should not be diverted from the higher priorities of governing our City during these economically challenging times in order to conduct such a study.

Order #22 speaks of a "Real Estate Transfer Impact fee" as the subject of the study. In our opinion, this language transfer <u>tax</u> has been discussed in depth in many Massachusetts communities and in the state legislature during the lengthy budget and taxation debates of the past decade.

A real estate transfer tax can only be imposed in a city or town if the legislature approves a home rule petition giving the municipality the authority to do so. Massachusetts already collects such a tax form sellers of real estate, an amount calculated at $4.56 per thousand dollars of the sale price of the property.

By calling a real estate transfer tax a fee suggests that the seller or purchaser of the real estate is receiving a service in connection with the transaction, and it is this service which must legitimate the fee.

Order #22 also is confusing by its suggestion that a "Real Estate Transfer Impact fee" may serve the "purpose of mitigating the impact of escalating real estate on the development of affordable housing..." It is not necessary for city officials to spend a month investigating this concept in the context of escalating real estate values. Information is readily available to show that the trends of rapid escalation of real estate values and strong real estate development market of the 1980's have actually been reversed with the downturn in the economy.

859 MASSACHUSETTS AVE. CAMBRIDGE, MA 02139 (617) 876-4100

6. S-1261

1990 DEC 13 PM 3:46
CAMBRIDGE MA.

Comm. from Robert D. Lewis, Executive Director of the Cambridge Chamber of Commerce, in [redacted] to the real estate transfer impact fee.

In City Council,

December 17, 1990

Placed on file