



## THE DELAWARE ASSOCIATION OF REALTORS®

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### THE BENEFITS OF A FIRST-TIME HOMEBUYER TRANSFER TAX EXEMPTION

Research has consistently shown the importance of the housing sector on the economy and on the long-term social well-being of individual homeowners, their family and our communities. Homeownership has a reducing effect on crime, is shown to improve educational opportunity, helps stabilize our families and our communities while having a crucial financial impact on our economy.

Delaware's housing market continues to falter. Sales are low, prices are down and foreclosures continue at record numbers. Unemployment and stricter credit requirements are further dampening an already bleak situation. Many first-time homebuyers are getting squeezed out of the market.

Delaware has one of the highest transfer taxes in the nation. Transfer taxes are bad taxes. They are regressive, discriminatory, highly volatile, arbitrary and a major burden to buyers and sellers. Transfer taxes target only a small percentage of the citizens with a large financial burden.

HB 166 exempts first-time homebuyers from the state share of the Real Estate Transfer Tax and will stimulate significant economic activity in Delaware. Stimulating the real estate market develops small independent businesses which is the foundation of any healthy economy and particularly important here in Delaware. In fact, for every home sold, \$57,000 in additional economic activity is generated; that's money to furniture stores, lawn maintenance companies and countless other retail business and it's crucial to keeping so many now fragile Delaware companies in business and people employed.

In addition, for every 2.5 homes sold, a job is created. For every new home built in Delaware, 3 jobs are created. By helping new entrants get into the housing market, countless individuals will come off unemployment, the state will receive additional tax revenue and those people will now contribute to the economy by supporting local businesses.

Also, significantly, for every home that is sold that would not have occurred without the first-time homebuyer transfer tax exemption, Delaware is generating new revenue from the seller side of the transfer tax. These first-time homebuyers, who are absent from the market place at present, are an integral link in the chain of transactions. Incentivizing first-time homebuyers instigates a

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chain of transactions whereby homeowners are afforded the possibility of moving up into larger, more expensive homes, resulting in transfer tax collections which are not exempt. Homeownership remains vital to our state's families; contributing to their sense of well-being and community. It has a reducing effect on crime, is shown to improve educational opportunity, helps stabilize our families and our communities while having a crucial financial impact on our economy.

The Controller General's has recently reduced the Fiscal Note of HB 166 from \$5 million to \$2.9 million. While significantly less, it remains a static number and clearly does not paint the true picture of the bill's financial impact to the State of Delaware. DAR firmly believes that the economic stimulus generated from the home sales that will occur as a result will far outweigh the cost.

DAR has contracted with the University of Delaware to do a comprehensive study looking at the housing market in Delaware over the next twenty years, its impact on the economy and the effects of a first-time homebuyer transfer tax exemption. We expect to receive the study shortly and will present the findings to the Governor and the General Assembly.

For more information, please contact Charlotte Herbert Papaleo at DAR at 734-4444.

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