

Delaware Increases State Transfer Tax by 1% effective August 1, 2017

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On July 2nd, House Bill 279 was introduced and passed by the Delaware General Assembly and signed by the Governor. This increases the State portion of the realty transfer tax by 1%. In most areas of the state this means there will be a State transfer tax of **2.5%** and a local transfer tax of **1.5%** for a total transfer tax of **4%**.

The increase does not apply to contracts entered into prior to August 1, 2017. The effective date of the Agreement of Sale is what counts, not the date of recording the deed. The effective date is the date of final signature or initialing to accept the last counteroffer and communicating that acceptance to the other party. If you are using the Agreement of Sale from the Delaware Association of REALTORS®, please be sure to fill in the effective date at the bottom of the last page. This will help if the transaction is audited.

This increase was passed as part of a series of spending cuts and tax increases to close the budget deficit which started this year at 380 million. The only good thing I can say is that the following measures **did not pass**:

1. Elimination of itemized deductions which would have resulted in not deducting your mortgage interest, real estate taxes, charitable contributions, and excess medical expenses- was defeated by a vote in the House of Representatives.
2. Applying the accommodations tax to short term rentals- a bill was introduced, but not brought up for a vote.
3. A statewide real estate property tax- was discussed but not introduced.

I know that the Delaware Association of REALTORS® is already working to line up support to either eliminate this increase next year, or at a minimum to enact a state exemption for first time buyers.