

New Hampshire Department of Revenue Administration

Fiscal Note Quick Guide

18-2917

SB 301-FN, *temporarily reducing the real estate transfer tax for first-time home buyers.*

House Ways & Means

The Real Estate Transfer Tax (RETT) is a tax on the sale, granting, and transfer of real property or an interest in real property. The tax is currently imposed on both the buyer and the seller at the rate of \$.75 per \$100 of the price or consideration for the sale, granting, or transfer. The proposed bill amends RSA 78-B by inserting a new Section 78-B:1-b reducing the rate of the RETT for first time homebuyers of a qualifying first home, the price of which does not exceed \$300,000. Beginning January 1, 2018 the rate of the RETT would be \$.50 per \$100, or fractional part thereof, of the price or consideration for such sale, grant, or transfer applicable to the buyer for the purchase of a qualifying first home, effective upon passage and applicable to transfers occurring on and after January 1, 2018 and through December 31, 2019.

The proposed legislation contains a prospective repeal of the new Section 78-B:1-b RETT rate for first-time homebuyers effective January 1, 2020.

The proposed bill requires the Commissioner of DRA report to the Speaker of the House of Representatives, the Senate President, and the Governor on the number of first-time home buyers using the lower RETT rate provided in RSA 78-B:1-b and the DRA's assessment of whether the number of first-time home buyers increased or decreased as a result of the reduced tax rate. The report must be filed on or before January 1, 2019 and on or before January 1, 2020.

There is no way for the DRA to determine the fiscal impact of reducing the RETT rate for first time homebuyers because the DRA does not collect data on the status of homebuyers as either first time or repeat buyers. The DRA is also unable to predict the price of future home sales by first time homebuyers.

Each county in NH currently collects the RETT and remits the amount due to the DRA. The county is allowed to deduct a 4% commission from the RETT collected. Any decrease in the RETT as a result of this proposed legislation would result in an indeterminable decrease in revenues to the county as well. The DRA is unable to determine if the proposed legislation would result in an impact on the administration costs to the county registries.

The proposed legislation could be administered by the DRA without any additional costs that could not be absorbed within our operating budget.

The proposed legislation is applicable to transfers subject to the RETT beginning January 1, 2018. If the proposed legislation is enacted and signed into law, that is unlikely to occur until several months after January 1, 2018. It is unclear how the proposed legislation is intended to apply to

transfers that have taken place on or after January 1, 2018 but before the proposed legislation becomes law. It is likely that numerous taxable transfers will have taken place that may be subject to the decreased RETT rate for first time home buyers. However, those home buyers will have already paid the RETT to the registries and filed a RETT return with the Department at the current RETT rate applicable to all real estate transfers. The Department believes that these RETT taxpayers would be entitled to a refund of the RETT paid in excess of the rate applicable to first time home buyers for transfers beginning January 1, 2018. Additionally, the proposed legislation does not give the Department sufficient time to update all necessary tax return forms and electronic management systems related to this bill.