

Fiscal Note



Fiscal Services Division

<u>HF 2634</u> – Real Estate Transfer Tax, Housing Trust Fund (LSB5440HZ) Staff Contact: Evan Johnson (515.281.6301) <u>evan.johnson@legis.iowa.gov</u> Fiscal Note Version – New

Description

<u>House File 2634</u> removes the \$7.0 million cap on annual deposits from the Real Estate Transfer Tax to the Housing Trust Fund.

Background

The Real Estate Transfer Tax is imposed on the transfer of real estate in the State and is based on the assessed value of home sales. The tax is equal to \$0.80 per \$500 (or any fractional part of \$500) of consideration paid as part of or a condition of the property transfer, with the first \$500 being exempt. The tax is paid to the county. The county retains 17.25% of the tax revenue for deposit into the county general fund. The county remits the remaining 82.75% to the State. Under current law, the State portion of the tax is deposited as follows:

- 30.0% to the Housing Trust Fund, up to a limit of \$7.0 million.
- 5.0% to the Shelter Assistance Fund.
- 65.0%, plus any Housing Trust Fund revenue in excess of the \$7.0 million cap, to the State General Fund.

Moneys in the Housing Trust Fund are annually appropriated to the Iowa Finance Authority to be used for the development and preservation of affordable housing for low-income persons in the State and for the Iowa Mortgage Help Initiative. **Figure 1** shows the historical distribution of the State's share of the Real Estate Transfer Tax.

Figure 1 — Historical Distribution of Real Estate Transfer Tax Revenue

(in Millions)												
	FY 2018		FY 2019		FY 2020		FY 2021		FY 2022		FY 2023	
Housing Trust Fund	\$	3.0	\$	3.0	\$	3.0	\$	3.0	\$	7.0	\$	7.0
Shelter Assistance Fund		1.2		1.2		1.2		1.6		2.0		1.6
State General Fund		19.2		19.1		20.3		27.4		36.9		23.4
Total	\$	23.4	\$	23.3	\$	24.5	\$	32.0	\$	45.9	\$	32.0

Assumptions

- The supply and demand of housing will remain constant.
- Future Real Estate Transfer Tax receipts will increase by 2.0% each year.

Fiscal Impact

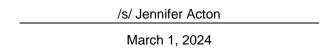
House File 2634 eliminates the cap on the Housing Trust Fund so that 30.0% of the Real Estate Transfer Tax receipts would be deposited into the Housing Trust Fund, regardless of the amount. This is estimated to increase funding to the Housing Trust Fund and decrease funding to the General Fund by the amounts in **Figure 2**.

Figure 2 — Fiscal Impact of HF 2634 (in Millions)

	Gene	ral Fund	Housing Trust Fund				
FY 2025	\$	-2.2	\$	2.2			
FY 2026		-2.4		2.4			
FY 2027		-2.6		2.6			
FY 2028		-2.8		2.8			
FY 2029		-2.9		2.9			

Source

Department of Revenue



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The fiscal note for this Bill was prepared pursuant to <u>Joint Rule 17</u> and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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