



# Fiscal Note

## Fiscal Services Division

**SF 2036** – Housing Trust Fund, Real Estate Transfer Tax (LSB5845XS)  
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 Fiscal Note Version – New

**Description**

[Senate File 2036](#) eliminates an annual \$3.0 million limitation on the amount of real estate transfer tax revenue that is deposited in the Housing Trust Fund. The change is effective beginning FY 2021.

**Background**

The [real estate transfer tax](#) is imposed on the transfer of real estate in the State. 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. As examples, the transfer of a \$1,200 property would incur a tax of \$2.40, while the transfer of a \$1.0 million property would incur a tax of \$1,600.

The tax is paid to the county. Iowa Code section [428A.8](#) controls the division of the tax revenue. The county retains 17.25% of the tax revenue for deposit in the county general fund. The county remits the remaining 82.75% to the State. The State portion is deposited as follows:

- [Housing Trust Fund](#), 30.0%, up to a limit of \$3.0 million each fiscal year.
- [Shelter Assistance Fund](#), 5.0%.
- State General Fund, 65.0%, plus any Housing Trust Fund revenue in excess of \$3.0 million.

The following table provides a history of real estate transfer tax deposits for the past four fiscal years.

<b>Real Estate Transfer Tax Revenue, State Portion</b>				
In Millions				
Fund	FY 2016	FY 2017	FY 2018	FY 2019
Housing Trust Fund	\$ 3.0	\$ 3.0	\$ 3.0	\$ 3.0
Shelter Assistance Fund	1.0	1.1	1.2	1.2
State General Fund	16.8	18.6	19.2	19.1
<b>Total</b>	<b>\$ 20.8</b>	<b>\$ 22.7</b>	<b>\$ 23.4</b>	<b>\$ 23.3</b>

**Assumption**

Over the past 12 fiscal years (FY 2007 through FY 2019), the average annual rate of growth in real estate transfer tax has equaled 2.1%. That rate of growth is assumed for FY 2020 and future fiscal years.

**Fiscal Impact**

Removing the Housing Trust Fund annual \$3.0 million real estate tax revenue limit is estimated to increase Housing Trust Fund revenue and reduce net General Fund revenue by the following amounts:

- FY 2021 = \$4.3 million
- FY 2022 = \$4.4 million
- FY 2023 = \$4.6 million
- FY 2024 = \$4.7 million
- FY 2025 = \$4.9 million

The annual amounts are projected to increase modestly over time.

**Sources**

State Accounting System  
Legislative Services Agency analysis

/s/ Holly M. Lyons

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The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#) 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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