



Fiscal Note

Fiscal Services Division

HF 2163 – Housing Trust Fund, Real Estate Transfer Tax (LSB5845YH)
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 Fiscal Note Version – New

Description

[House File 2163](#) 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.

Real Estate Transfer Tax Revenue, State Portion				
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
Total	\$ 20.8	\$ 22.7	\$ 23.4	\$ 23.3

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

January 29, 2020

Doc ID 1127246

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.
