

February 16, 1999

BILL ANALYSIS

TO: Members, Committee on Economic Development, Housing & Trade

FROM: Kenny Pittman, Research Analyst (786-7392)

RE: **HB 1415 - Creating a real estate excise tax exemption for first-time low-income home buyers.**

Brief Summary of Bill

- Reduces the real estate excise tax on sales of residences to low-income first-time home buyers.

BACKGROUND:

The real estate excise tax (R.E.E.T.) is paid when real property is sold. Real property consists of land and improvements permanently affixed to the land. The seller is responsible for paying the tax. The state tax rate is 1.28 percent of the selling price. The revenue from the state real estate excise tax is divided between the general fund (92.3 percent) and the public works assistance account (7.7 percent).

Most local governments impose an added real estate excise tax at a rate of 0.25 percent. Additional local options are available. The combined state and local tax rate is 1.53 or 1.78 percent in most areas.

SUMMARY:

The state real estate excise tax (R.E.E.T.) is reduced by 92.3 percent on the sale of a residence to a low-income household first-time home buyer. A low-income household must have an income less than 80 percent of county median household income adjusted for family size. A first-time home buyer must not have owned a home for three years. The tax reduction is available if the seller credits to the buyer an amount equal to 92.3 percent of the

normal state real estate excise tax at the time of closing of the sale.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect August 1, 1999.