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DATE: October 18, 2023

RE: Testimony on Senate Bill 274

TO: Members of the Senate Committee on Housing, Rural Issues, and Forestry

FROM: Senator Rob Stafsholt

Thank you Chairman Quinn and members of the Senate Committee on Housing, Rural Issues, and Forestry for hearing Senate Bill 274.

The real estate transfer fee is a tax usually imposed on the seller of real estate property. To pay the real estate transfer fee, a return is filed and collected with the fee by the register of deeds at the county level.

In 1969, when the fee was first established, the rate was \$1.00 per \$1,000 of property value and the county retained 50% and the state kept the other 50%. Later, it was changed to the current rate of \$3 per \$1,000 of value, and counties would retain 20% and the state retains 80% of the revenues generated.

The bill lowers the transfer fee to \$2 per \$1,000 of property value and slowly changes the distribution between the county and state back to the original 50/50 distribution. Under this bill, the county retains 30 percent of the fees collected in 2023 and 2024, 40 percent of the fees collected in 2025, and 50 percent of the fees collected in 2026 and each year thereafter. We are changing the distribution because the Register of Deeds does the work to complete the transfer, so it makes sense for more revenue made from the fee to go back to the counties, who actually do the work of the transfer.

Even though the bill is lowering the fee, counties would not see any loss in revenue generated from the transfer fee under this bill, because we are gradually increasing the distribution of the fee the county retains over an incremental period. Under the bill, counties would not see any changes in revenue from the fee in the first two years, but would see an increase in the third year and after.

And while the housing market can have increases and dips, just like any market, the market is firmly outside of the scope of this bill.

Senate Amendment 1 was drafted to simply give enough time for the each county's register of deeds to adapt to the new distribution method and system.

Again, thank you members for allowing me to testify in favor of this bill. I'd be happy to answer any questions you may have.

Senate Bill 274 relating to: the amount and distribution of the real estate transfer fee.

2022: According to the St. Croix County Register of Deeds, in 2022, the transfer fees collected from total sales of \$927,408,300 in St. Croix County was \$2,782,224.90. Of that, \$2,225,779.92 went to the state (80% of collections) and \$556,444.98 was retained by the county (20% of collections).

Using the same total sales number from 2022 (\$927,408,300), let's compare current distributions and the proposed distributions made under Senate Bill 274:

Year	County Fee Collections	County Distribution %	County Distribution	
2022	\$2,782,224.90	20	\$556,444.98	-

2023 & 2024: The proposed bill drops the transfer fee from \$3 per \$1000 of value to \$2, which would mean the county fee collections from total sales of \$927,408,300 would decreased to \$1,854,816.60. In addition, the proposal increases the percentage of distribution to the county from 20% to 30% for both years:

Year	County Fee Collections	County Distribution %	County Distribution	+/- to County
2023	\$1,854,816.60	30	\$556,444.98	0
2024	\$1,854,816.60	30	\$556,444.98	0

2025: There is no change in transfer fee so we will continue to use \$1,854,816.60 for comparison. The percentage of distribution would be increased from 30% to 40%:

Year	County Fee Collections	County Distribution %	County Distribution	+/- to County
2025	\$1,854,816.60	40	\$741,926.64	+\$185,481.66

2026: There is no change in transfer fee so we will continue to use \$1,854,816.60 for comparison, but percentage of distribution would be increased from 40% to 50%:

Year	County Fee Collections	County Distribution %	County Distribution	+/- to County
2026	\$1,854,816.60	50	\$927,408.30	+\$370,963.32

- As you can see, by the end of 2026, St. Croix County would receive an increase of \$556,444.98 (\$185,481.66+ \$370,963.32) under SB 274 when compared to using the current distribution.
- In addition, if this proposal distribution began January 1, 2024, buyers/sellers of properties in St Croix County would save **\$2,782,224.90** by the end of 2026 from lowering transfer tax.

In the event of a 10% drop in the housing market:

The total sales amount would drop from \$927,408,300 to \$834,667,470. Using the lower total sales number let's compare current distributions and the proposed distributions made under Senate Bill 274:

Year	Model	Fee Collections	Distribution %	County \$	Difference
2023/2024	Current	\$2,504,002.41	20	\$500,800.48	-
	Proposed	\$1,669,334.94	30	\$500,800.48	0
2025	Current	\$2,504,002.41	20	\$500,800.48	-
	Proposed	\$1,669,334.94	40	\$667,733.96	+\$166,933.48
2026	Current	\$2,504,002.41	20	\$500,800.48	
	Proposed	\$1,669,334.94	50	\$834,667.47	+\$333,866.99

That would be an increase of **\$500,800.47** under SB 274 when compared to using the current distribution.

October 18th, 2023

Testimony on Senate Bill 274

Senate Committee on Housing, Rural Issues and Forestry

Thank you, Chairman Quinn and other Senate committee members, for having a hearing today on Senate Bill 274 relating to the amount and distribution of the real estate transfer fee.

The real estate transfer fee was established in 1969. At that time, the rate was \$1 per \$1,000 of property value, and the county retained 50% and the state kept the other 50%. In 1981, which is the current law right now, the real estate transfer fee was changed to the rate of \$3 per \$1,000 of the value and the distribution, so counties would retain 20% and the state would retain 80% of the revenues generated.

What Senate Bill 274 would do is pretty straight-forward. This bill would lower the transfer fee to \$2 per \$1,000 of value and slowly change the distribution of the revenue generated from real estate transfer fees back to a 50/50 split between the county and state.

Each year, there would be an incremental change in the percentage of what the counties would retain. For example, the county retains 30 percent of the fees collected in 2023 and 2024, 40 percent of the fees collected in 2025, and 50 percent of the fees collected in 2026 and each year thereafter.

Counties would not see any loss in revenue generated from the transfer fee under this bill, even by lowering the transfer fee, because the bill is gradually increasing the distribution of the fee the county retains. Lastly, the county Register of Deeds completes the work and is the responsible party for collection of the fee, so it is only right to return a greater portion of the real estate transfer fee back to the counties.

I am grateful for the opportunity to work on this bill with my colleague from the Senate, Senator Stafsholt. Thank you for your time today, and thank you for your consideration of this bill.

MEMORANDUM

TO: Honorable Members of the Senate Committee on Housing, Rural Issues, and Forestry

FROM: Marcie Rainbolt, Government Affairs Associate

DATE: October 18, 2023

SUBJECT: Support of Senate Bill 274

Thank you for the opportunity to speak in favor of SB 274, relating to the amount and distribution of the real estate transfer fee.

The real estate transfer fee was established in 1969. At that time, the rate was \$1.00 per \$1,000 of property value. The county retained 50% and the state kept the other 50%. Then, in 1981, the legislature made the determination to change the real estate transfer fee to the current rate of \$3 per \$1,000 of the value and determined that the distribution should change. Counties currently retain 20% and the state retains 80% of the revenues generated.

The real estate transfer fee is collected at the local level by the Register of Deeds. In FY22, the real estate transfer fee generated \$151.73 million. The state's 80% was \$121.39 million and the counties 20% was just \$30.36 million.

SB 274 would change not only the percentage retained by the state and county but also the amount collected. The \$3 per \$1000 collected would be reduced to \$2 per \$1000 with an incremental change in the percentage kept by the state and county. In 2023 and 2024 the counties would get 30% and the state 70%. In 2025, the counties would be 40% and the state 60% and finally in 2026 the split would be 50/50.

This incremental change means that the counties would be held harmless in the first 2 years while the state would see a reduction in the amount retained from the fee. As shown in the fiscal estimate from the Department of Revenue, according the bill in 2023 and 2024, the counties would get 30% which would equal the current amount provided to the counties while the state would have a reduction of \$50.58 million, only receiving \$70.81 million. Counties would then see an increase of \$10.12 million in 2025 and in 2026 (and into the future) with the 50/50 split counties would see an increase of \$20.23 million.

The counties have been waiting more than 40 years to return to the original 50/50 split. WCA respectfully asks for your support for the real estate transfer fee distribution to be equalized between the counties and state.



To: Senate Committee on Housing, Rural Issues and Forestry
From: Cori Lamont, Senior Director of Legal and Public Affairs
Date: October 18, 2023
RE: SB 274/ AB 277 Reducing Wisconsin's Real Estate Transfer Tax

The Wisconsin REALTORS® Association (WRA) supports SB 274/AB 277 reducing Wisconsin's real estate transfer tax to improve housing affordability.

Cutting Wisconsin's real estate transfer tax (Transfer Tax) by one-third would reduce the cost carried by Wisconsin property owners who pay the tax on the sale of real property.

Background

When the Wisconsin Transfer Tax was first imposed on property owners in 1970, sellers were responsible to pay \$1.00 for every \$1,000 of property value transferred. At that time, the county and state split the funds received from the tax 50/50. In 1982, the tax was increased to its current rate of \$3.00 per \$1,000 of property value. Additionally, the percentages were changed so the state received 80% and the county received 20%.

The county Register of Deeds is responsible for collecting the tax. Under the current structure, the county keeps its 20% portion of the funds to provide for local services, while the state's 80% goes into General Purpose Revenue (GPR) for the general benefit of the state.

Currently, sellers pay an extra tax when selling their property of \$3.00 for every \$1,000 of property value. For a median value home in Wisconsin of \$272,500, the seller pays an additional \$817.50 in taxes for the sale of their real property. The higher the sales price, the greater the Transfer Tax. In 2022, Wisconsin property owners were taxed an additional \$121.4 million, just from the Transfer Tax.

- **The reduction of funds going to the state eases the burden on property owners.** Lowering the Transfer Tax to \$2.00 per \$1,000 of property value will save the median value homeowner \$272.50 in excess property taxes. By reducing the Transfer Tax by 33%, property owners save hundreds of dollars during a transaction.
- **Returning the distribution of the Transfer Tax collection back by 2026 to a 50/50 allocation between the county and state provides a response to local government funding challenges.** This re-allocation increases local government revenue to help further support services needed within a community where the property is located, while eliminating a larger portion going to the fund to generally benefit the state.



- **With historically low housing inventory and as one of the highest property tax states in the country, Wisconsin has a housing affordability issue.** However, Wisconsin property owners are continuously required to fund the government through property taxes and Transfer Taxes associated with the sale of real property.
- **Home ownership will continue to be unattainable until housing inventory increases, property taxes are decreased, and transaction costs borne by the parties are reduced.** According to the National Association of Home Builders (NAHB) for every \$1,000 increase in the median new home price, approximately 2,000 households are priced out of the home-buying market.¹ Reducing the Transfer Tax is by one-third, provides much needed relief for Wisconsin property owners in the real estate transaction.

We respectfully request your support for SB 274/AB 277.

¹ <https://www.nahb.org/-/media/NAHB/news-and-economics/docs/housing-economics-plus/special-studies/2023/special-study-nahb-priced-out-estimates-for-2023-march-2023.pdf>