

Changing Real Property Transfer Tax Rates



PROPOSITION N

Shall the City increase its transfer tax on sales of real estate worth more than \$5 million to 1.5% and reduce the tax by up to 1/3 on sales of residences where the seller installed solar energy systems or made seismic safety improvements?

YES ←
NO ←

Digest

by the Ballot Simplification Committee

THE WAY IT IS NOW: Under authority granted by state law, the City imposes a transfer tax on the sale of real estate in San Francisco. The tax rate ranges from 0.50% to 0.75%, depending on the value of the real estate. The 0.75% rate applies to the sale of real estate worth \$1 million or more. The transfer tax also applies to real estate leases with a term of more than 50 years.

The proceeds from the transfer tax go into the City's General Fund.

THE PROPOSAL: Proposition N would increase the transfer tax rate to 1.5% for the sale of real estate worth \$5 million or more. The Board of Supervisors could exempt the sale of affordable housing projects from this increase. Proposition N would not increase the tax rate for the sale of real estate worth less than \$5 million. Proposition N would extend the transfer tax to real estate leases of 35 years or more.

In addition, Proposition N would reduce the transfer tax for the sale of residential property by up to 1/3 if, after January 1, 2009, the person selling the real estate had:

- installed a solar energy system or
- made improvements to increase earthquake safety.

A "YES" VOTE MEANS: If you vote "yes," you want to increase the transfer tax rate to 1.5% for sales of real estate worth more than \$5 million and reduce the tax by up to 1/3 for sales of residential property with solar energy systems or earthquake safety improvements.

A "NO" VOTE MEANS: If you vote "no," you do not want to make these changes.

Controller's Statement on "N"

City Controller Ben Rosenfield has issued the following statement on the fiscal impact of Proposition N:

Should this ordinance be approved, in my opinion, it would result in a net annual tax revenue increase to the City of approximately \$29 million. The ordinance would change the property transfer tax rate for properties with a sale price of over \$5 million from 0.75% to 1.5%.

If the proposed 1.5% tax rate had been in effect during the past ten fiscal years, it would have generated, on average, approximately \$32 million annually in additional gross revenue, decreased by approximately \$3 million from new exemptions for solar installations and seismic improvements proposed in the ordinance. Note that actual future revenue under the proposed transfer tax would vary widely from year to year because large commercial property transactions occur irregularly and are strongly affected by changes in the financial markets. During the past ten year period, the estimated revenue under this tax rate would have ranged widely—from \$19 million in Fiscal Year 1997-1998 to \$80 million in Fiscal Year 2006-2007.

The proposal would exempt up to one third of the transfer tax on residential properties for eligible solar installations and seismic improvements. Finally, the ordinance clarifies that acquisitions or transfers of ownership interests in a legal entity are subject to the transfer tax. Because current law does not require owners to record a deed at the time of such transfers, no data are available to estimate the value of these transactions.

How "N" Got on the Ballot

On July 29, 2008 the Board of Supervisors voted 9 to 2 to place Proposition N on the ballot.

The Supervisors voted as follows:

Yes: Supervisors Ammiano, Daly, Dufty, Elsbernd, Maxwell, McGoldrick, Mirkarimi, Peskin and Sandoval.

No: Supervisors Alioto-Pier and Chu.

THIS MEASURE REQUIRES 50%+1 AFFIRMATIVE VOTES TO PASS.

ARGUMENTS FOR AND AGAINST THIS MEASURE IMMEDIATELY FOLLOW THIS PAGE. THE FULL TEXT BEGINS ON PAGE 257.

SOME OF THE WORDS USED IN THE BALLOT DIGEST ARE EXPLAINED ON PAGE 61.

