

Real Estate Transfer Tax*

Digest by the Ballot Simplification Committee

Status: Draft for Consideration
On: Wednesday, July 22, 2020
Members: Packard, Anderson, Girardin, Patterson

Deadline to Request Reconsideration: TBD

The Way It Is Now: The City collects a transfer tax on most sales of residential and commercial real estate in San Francisco. The tax also applies to leases with terms of 35 years or more. The tax rate usually depends on the real estate's sale price. The current transfer tax rates are:

Sale Price of Real Estate	Tax Rate
More than \$100 and less than or equal to \$250,000	0.50%
More than \$250,000 and less than \$1,000,000	0.68%
At least \$1,000,000 and less than \$5,000,000	0.75%
At least \$5,000,000 and less than \$10,000,000	2.25%
At least \$10,000,000 and less than \$25,000,000	2.75%
At least \$25,000,000 and above	3.00%

The money collected from this tax goes into the City's General Fund. Between 2008 and 2020, the City's annual revenue from this tax ranged from \$13 million to \$346 million, with an annual average of \$196 million.

When a business changes ownership, it must pay a transfer tax on the real estate it owns.

State law limits the amount of revenue, including tax revenue, the City can spend each year. State law authorizes San Francisco voters to approve increases to this limit for a maximum of four years.

The Proposal: Proposition ___ would increase the transfer tax rate for the sale of real estate with a price of at least \$10 million, including leases of 35 years or more. For property with a sale price of less than \$10 million, the current tax rate would not change. The proposed tax rates are:

Sale Price of Real Estate	Proposed Tax Rate
At least \$10,000,000 and less than \$25,000,000	5.50%
At least \$25,000,000 and above	6.00%

The proposed increase in this transfer tax rate would be permanent. The City estimates that this increase would result in average annual revenue of \$196 million.

Proposition ___ would also increase the state's limit on the City's annual tax revenue spending by the amount of additional taxes collected under the proposed rate increases. The increased limit would last for four years.

A "YES" Vote Means: If you vote "yes," you want to permanently increase the transfer tax rate for sales of residential and commercial properties to 5.50% for sales from \$10 million up to \$25 million and to 6.00% for sales of \$25 million or more, for estimated average tax revenue of \$196 million a year.

**Working title, for identification only. The Director of Elections determines the title of each local ballot measure; measure titles are not considered during Ballot Simplification Committee meetings.*

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