

# Real Property Transfer Tax

## Definition and Examples

*This is a tax on the transfer of ownership of real property from one person or entity to another.*

The Real Property Transfer Tax (RPTT) is applied to the sale price of the property and may be paid by either the buyer or the seller, or the payment can be split.

In November 2016, San Francisco's voters approved rate increases for the real property transfer tax. Rates for transactions of \$5 million to \$25 million were increased by 0.25%. In addition, a new top-tier for transactions of \$25 million or greater was created and set at 3%, which is effectively a 0.5% rate increase for transactions this size. The revenues from the increase were directed to the City's General Fund.

The transfer tax rate is dependent on the final purchase price:

Purchase Price	Rate
\$100 to \$250,000	0.50%
\$250,000 to \$1,000,000	0.68%
\$1,000,000 to \$5,000,000	0.75%
\$5,000,000 to \$10,000,000	2.25%
\$10,000,000 to \$25,000,000	2.75%
\$25,000,000 or greater	3.00%

## Establishment and Administration

This tax can be proposed as either a general tax or a dedicated tax. Upon majority approval by the Board of Supervisors, a general tax version of this proposal would require a 50% majority of San Francisco voters, while a dedicated version of this proposal would require a 2/3rds majority of San Francisco voters.

This tax is remitted to the Assessor-Recorder. Increasing the tax rate would not impose any additional administrative burden on the City.

## Expenditures

Revenue generated by a real property transfer tax could be used for any City purposes. The tax could also be dedicated for specific City transportation purposes.

## Revenues

This estimate is based on current RPTT collections. Revenues would depend on the rate and structure being proposed. For illustrative purposes, a 1% to 5% increase would generate:

- First year (2018/19): \$2.5 - \$12.5 million
- 25-year total (in \$2017): \$62.5 - \$312.5 million

RPTT is the City's most volatile revenue sources, and in a given year can see annual variances of greater than 70%. Revenue is determined by the number and the size of transactions. However, it is highly dependent on

exogenous factors such as investor interest, economic cycles, interest rates, and credit availability. Variations in the revenue stream are driven mainly by the number of transactions of \$10 million or greater.

### Policy and Equity Considerations

Given the volatility of the tax, it is generally not seen as a good revenue source to dedicate to on-going operations. In addition, the City Administrative code sets out rules that any revenue in excess of the average annual receipts for the prior five fiscal years, after adjusting for any rate increases adopted by voters, will be placed in the City's Budget Stabilization Reserve.

The RPTT is progressive, based on the sale price of the property, but the tax incidence is uncertain. The majority of the revenue is collected from transactions initiated by large businesses, partnerships, and developers on sales of \$10 million or greater.

RPTTs do not influence transportation behavior in the way other revenue mechanisms such as direct parking or fuel charges can.