

Double the Deeds Excise Tax to Raise Funds to Address the Affordable Housing and Climate Crises

Background: HERO Coalition

In January 2019, Governor Baker filed legislation, An Act Providing for Climate Change Adaptation Infrastructure Investments in the Commonwealth (S.10). The proposal would increase the Deeds Excise Tax from \$4.56 per \$1,000 to \$6.84 per \$1,000 and use approximately \$150 million in new funding to sustain and implement the Municipal Vulnerability Preparedness (MVP) program and the MA Climate Clearinghouse.

In late July, the House approved An Act Relative to GreenWorks (H.3987), which authorizes \$1.3 billion in borrowing to establish and fund the GreenWorks Capital Improvement Act.

The Housing and Environment Revenue Opportunities (HERO) Coalition is a diverse coalition of environmental and housing advocacy organizations that has come together to advocate for major new state investments to protect our families, neighbors and communities from the urgent and immediate affordable housing crisis and the urgent existential threat of climate change.

HERO urges the Massachusetts State Legislature to double the current Deeds Excise Tax (from \$4.56 per \$1,000 to \$9.12 per \$1,000) that is due upon the sale of real property in Massachusetts, to generate approximately \$300 million in new revenue each year. We propose to split this increase evenly (50/50) between Affordable Housing and Climate.

Double the Current Deeds Excise Tax

We believe the Deeds Excise Tax is the right tool to generate revenue for both climate response and housing action. The Excise Tax is not only directly linked to rising real estate prices, but it is also an affordable and equitable way to generate revenue. As shown in this chart, the Massachusetts' current deeds excise fee is less than half the fee in neighboring states and, in some cases, only one-third.

The deeds excise fee has remained at the same level for decades. Based on data apparent in the Governor's proposal, as well as data provided by the Suffolk County Registry of Deeds, doubling the fee would raise approximately \$300 million per year in new revenue. Even if we double the current tax, Massachusetts would still have a lower fee than most neighboring states. Most families only pay the tax once or twice in their lifetime and its small fraction of a much larger transaction.

State	Rate per \$1000
New Hampshire	\$15
New York	\$12.50
Vermont	\$12.50
Connecticut	\$10.52
Massachusetts Proposal	\$9.12 (double)
Rhode Island	\$4.60

Coalition Members: MA Association of Community Development Corporations (MACDC), 350 Massachusetts, Chinese Progressive Association, MA Climate Action Network (MCAN), MA Alliance of HUD Tenants (MAHT), MA Communities Action Network (MCAN), Citizens' Housing & Planning Association (CHAPA), Raise Up MA, Sierra Club MA Chapter, MA Affordable Housing Alliance (MAHA), Progressive MA, Toxics Action Center, City Life Vida Urbana, Boston Tenant Coalition, Communities Responding to Extreme Weather (CREW), Conservation Law Foundation, Clean Water Action, MA Voter Table, Jewish Alliance for Law and Social Action (JALSA), MA Smart Growth Alliance, MA Public Health Association, Local Initiatives Support Corporation (LISC) Boston, Metropolitan Area Planning Council (MAPC), Allston Brighton CDC

Proposed Allocation of New Revenue: 50% for Climate and 50% for Housing

Climate Resilience: \$150million/year. We propose that half of new revenues (approximately \$150 million/year) should be dedicated to climate mitigation and resiliency with 70% going to the Global Warming Solutions Trust Fund (as proposed by S.10) and 30% going to the Renewable Energy Trust Fund.

- **Protecting cities, towns, neighborhoods, homes and businesses from the impacts of Climate Change (\$105 million/yr).** The Global Warming Solutions Trust Fund can support a number of grant opportunities and programs, including the Municipal Vulnerability Preparedness program, which provides funding to cities and towns across the Commonwealth to identify climate change vulnerabilities, prioritize critical actions, and build community resilience.
- **Investing in clean energy solutions that reduce greenhouse gas emissions (GHG) (\$45 million/yr).** The Renewable Energy Trust Fund can accelerate our transition to a Clean Energy Future and the decarbonization of our economy. This funding will help close the funding gaps at the Massachusetts Clean Energy Center and ensure that we remain on the cutting edge of the clean energy industry.

With both programs, the HERO coalition recommends that the state prioritize assistance to the most vulnerable lower income communities.

The HERO Coalition is aware of other well thought out proposals for addressing climate change mitigation, adaptation and resiliency and is open to discussions to ensure the highest possible impact for the Commonwealth's climate change objectives.

Affordable Housing: \$150 million/year. We propose that the \$150 million portion of new deeds excise revenue set aside for housing be allocated 60/40, with 60% dedicated to the existing Affordable Housing Trust Fund, and 40% to the Housing Preservation and Stabilization Fund (HPSF).

- ***Aiding working-class homeowners and renters through the Affordable Housing Trust Fund (\$90 million/year).*** The Affordable Housing Trust Fund can be used to create and preserve rental housing, develop ownership housing for people traditionally excluded from those opportunities, provide permanent or transitional housing for homeless families and individuals, and rehabilitate public housing. *An annual infusion of \$90 million could create or preserve additional housing for 18,000 households over 10 years.*
- ***Aiding low income renters and the homeless through the Housing Preservation and Stabilization Fund (\$60 million/year).*** This Fund can support extremely low-income households and augment funding for the Mass. Rental Voucher Program (MRVP) for low income renters. MRVP (both vouchers and "project-based" assistance) was funded at \$110 million in the FY 2020 budget. *A \$60 M increase would assist between 3,500 and 6,500 additional families per year,* up to 80% of Area Median Income (\$63,500 for a 1 person household, \$81,600 for 3 persons), though 75% would be targeted to Extremely Low Income households below 30% of AMI (\$23,800 for 1 person, \$30,600 for 3). Using some MRVP as project-based rental assistance would be less costly per unit and serve more families.

To ensure that new funds represent an overall increase in program funding, and not merely replace existing appropriations, ***we recommend inclusion of "maintenance of effort" language in the final legislation.***

Local Option legislation: HERO supports incorporating provisions that allow municipalities to pass local real estate transfer fees as a complementary, not supplementary measure. This additional tool to raise revenue empowers communities to meet local needs for affordable housing.