152nd GENERAL ASSEMBLY
FISCAL NOTE

BILL:	**SENATE BILL NO. 88**
SPONSOR:	**Senator Huxtable**
DESCRIPTION:	**AN ACT TO AMEND TITLE 30 OF THE DELAWARE CODE RELATING TO THE REALTY TRANSFER TAX.**

Assumptions:

1. This Act is effective upon signature by the Governor.

2. Currently, the state imposes a tax at the rate of 3.0% of the fair market value of the property divided equally between the grantor and the grantee. Local governments are permitted to levy a tax of up to 1.5%. In cases in which the local levy exceeds 1.0%, the state rate decreases to 2.5%. With few exceptions, in practice, the state tax is levied at a rate of 2.5%, with the seller and buyer both paying 1.25%. First-time homebuyers are eligible for a reduction of 0.5% reducing the rate they pay to 0.75% for property valued at $400,000 or less. For property valued at greater than $400,000, the state transfer tax for first-time homebuyers is reduced by an amount equal to 0.5% multiplied by $400,000 ($2,000).

3. This Act restructures the current first-time homebuyer rate by establishing several rate tiers based on the value of the property as follows:

Property Value	State tax levied on First-time Homebuyer:
$0 - $250,000	0%
$250,001 - $300,000	0.25%
$300,001 - $350,000	0.5%
$350,001 - $400,000	0.75%
$400,001 - $999,999	1.25% of the value less $2,000
$1,000,000+	1.25%

4. According to the National Association of Realtors "2022 Profile of Home Buyers and Sellers", 26% of homebuyers were first-time homebuyers.

5. Detailed calendar year 2020 data from the Consumer Financial Protection Bureau on home sales in Delaware were used to estimate the number and value of homes in each of the proposed tiers. The data was adjusted by 25% to approximate growth in the recent residential real estate market.

6. The Fiscal Year 2025 revenue impact is assumed to increase by 16.2%, consistent with the May 2023 DEFAC estimate for the realty transfer tax. The Fiscal Year 2026 growth rate is assumed to be 10%.

General Fund Revenue Loss:

Fiscal Year 2024:	$4.5 million
Fiscal Year 2025:	$5.2 million
Fiscal Year 2026:	$5.8 million

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