

**PAUL S. BAUMBACH**  
STATE REPRESENTATIVE  
23<sup>rd</sup> District



HOUSE OF REPRESENTATIVES  
STATE OF DELAWARE  
411 LEGISLATIVE AVENUE  
DOVER, DELAWARE 19901

**COMMITTEES**  
Revenue & Finance, Chair  
Economic Development, Banking,  
Insurance & Commerce  
Health & Human Development  
Natural Resources & Energy  
Technology & Telecommunications  
Transportation

Date: 6.12.2024

House Committee Recording

Vice Chair Dorsey Walker called the meeting to order at 3:03 p.m.

Members present:

Representative Sherry Dorsey Walker, Vice Chair  
Representative Jeffrey N. Spiegelman  
Representative Ronald E. Gray  
Representative Madinah Wilson-Anton  
Representative Krista Griffith  
Representative Daniel B. Short  
Representative Peter C. Schwartzkopf  
Representative Kendra Johnson  
Representative Michael F. Smith

Vice Chair Dorsey Walker introduced **HB 343 AN ACT TO AMEND TITLE 30 OF THE DELAWARE CODE RELATING TO DECREASING THE STATE'S REALTY TRANSFER TAX RATE OF TAXATION.** *Time Stamp: 3:05*

Rep. Yearick shared that this Act reduces the State's rate of realty transfer tax by .25 percent per year for four years, for residential property conveyances having a property value less than \$500,000, and for commercial property convenances having a property value less than \$1,000,000, starting January 1, 2025. Rep. Yearick shared that raising the rate from three to four closed the budget deficit at the time of Governor Carney's first budget.

Vice Chair Dorsey Walker asked if Rep. Yearick could talk about the fiscal note attached, specifically the General Fund Revenue Loss.

Rep. Yearick shared that it is based upon projected sales.

Rep. Johnson commented that what gives her pause is the General Fund Revenue Loss.

Rep. Yearick noted that the revenue loss in fiscal year 2025 is \$6.3 billion. He shared that with the revenue projections, he believes that the General Assembly is going to put \$400 million into the bond bill.

Rep. Schwartzkopf noted that he was instrumental in adding the extra percent on to address the systemic budget crisis in 2017. There was about a \$75 million deficit at the time and there was going to be another tax on alcohol to help decrease the deficit. The bill was not a surprise to the real estate community. Rep. Schwartzkopf continued that it was not true that sunseting it was a part of the discussion because it was a year after year deficit that needed a fixed solution. He shared that he would be more than willing to do this if the sponsor came up with a source of revenue that is needed. But until then that he cannot support the bill.

Rep. Spiegelman noted that the state is in its fourth year of surplus, some being record surplus. He stated that if someone was to buy a \$300,000 house, they are looking at \$12,000 in realty transfer tax which is split between buyer and seller. Therefore, someone is paying \$6,000 out of pocket at the point of sale in addition to anything else with the purchase of the house at 4 percent. Rep. Spiegelman continued that lowering it to 3 percent would save the buyer money.

Rep. Short pointed out that the first fiscal year from the fiscal note is just 2 percent of the deficit number from last month. He believed that if this is not done now than they are missing an opportunity to give back to people who buy homes.

Rep. Schwartzkopf responded that there is a difference between one-time money and sustainable revenue and that a lot of the excess money is one-time. Rep. Schwartzkopf emphasized the importance of sustainable money as it relates to continued expenses such as salaries for teachers and police officers. Rep. Schwartzkopf asked if the Delaware Association of Realtors representative could come to the floor.

George Thomasson, Delaware Association of Realtors, answered the question that banks will not allow for the realty transfer tax to be incorporated into the mortgage, not because it is law, but because it is their practice.

Rep. Schwartzkopf asked how do we fix it.

Rep. Spiegelman answered that the bank does not allow this because the bank places a loan on an asset that they can seize, the bank cannot seize a tax payment.

Rep. Schwartzkopf stated that he understands and is trying to figure out how they can make that work anyway.

Rep. Spiegelman responded that it would be a huge boom to the industry but then we would have to turn to the banks and ask them to under-write something of tangible value.

Rep. Wilson-Anton stated that members have mentioned surplus and historic budgets, but we are also dealing with increased costs and healthcare claims. She believed that it is disingenuous to make the claim that we are swimming in cash when certain priorities are not funded. To the point of lowering the realty tax if there was a way to replace those funds, Rep. Wilson-Anton put to the committee of possibly increasing personal income taxes which has come before the committee several times. Rep. Wilson-Anton continued that she believes we can increase income tax in a way that is equitable and progressive, and that if we are able to do that together, she shared that

she would be more than happy to decrease the realty transfer tax and looks forward to working with Rep. Yearick on that.

Rep. Gray shared that he has been on the bond committee for the last four years and that they have had excess money. He asked the witness how does Delaware's realty transfer tax rank against neighboring states.

George Thomasson, Delaware Association of Realtors, responded that Delaware is the highest in the nation.

Rep. Gray noted that we typically spend what money we have and that he believes this needs to stop and the money needs to go back to citizens who want to buy a house.

Rep. Schwartzkopf explained that although Delaware has the highest realty transfer tax, the state has no sales tax and other taxes. When you do not have a sales tax, other things get taxed higher.

Rep. Wilson-Anton underscored the previous point and pointed out the shortage of affordable homes and rentals and believes that we need to think about that.

Thomasson noted that finding a house worth \$300,000 is almost impossible. Housing that is considered affordable are typically older and require repair. He shared that with his clientele, a lot of them must apply for FHA loans because they do not qualify for conventional loans. Thomasson does not believe the bill is a silver bullet but that it is a tool in the toolbox.

Rep. Wilson-Anton shared that to her point, you will not find a home at the price point and that her and her husband found a house under \$300,000 that was recently flipped and that within a couple of years they will need more renovations. She shared that they need to find ways to incentivize developers to build more units as opposed to changing the market in one way through the proposed bill.

Rep. Spiegelman stated that the difference between a 4 percent and 3 percent tax is the difference between someone affording a house, or affording a house they want or not; and to say it is not a big difference is to ignore the reality of Delawareans. He personally stated that his family would not have been able to afford their house currently if it was at 4 percent.

Rep. Wilson-Anton pointed to the current market of Delaware, which is the fact that houses are going quickly. And regardless of the tax rate, if more houses are not supplied, they are still going to sell. She believes that it is a mischaracterization to say that cutting the tax rate will help people who are struggling because she believes that they will still be cut out of the process.

Vice Chair Dorsey Walker opened the floor to public comment. *Time Stamp: 3:35*

Rebecca Goldsmith, Department of Finance, stated that when considering the legislation, it will likely have a longer-term cost of \$30 to \$47 million annually.

George Thomasson, Delaware Association of Realtors, stated that all of the steps mentioned by Rep. Wilson-Anton need to be taken but that the bill is a first strong step in affordable housing.

Rep. Spiegelman shared that the number of houses in Delaware under \$500,000 is 1,561 houses available on Bright, that does not include all of the Dover lots.

Rep. Yearick explained that in regard to Rep. Schwartzkopf's statement, this was to add an incremental \$80 million to the transfer tax in 2016-2017. He shared that it has far surpassed that. He believes that there is more the state can do for Delawareans and that the state has robust revenue streams.

A motion to release was made by Rep. Short and seconded by Rep. Spiegelman to release HB 343; motion failed. Yes = 4 (Smith, Spiegelman, Short, Gray). Absent = 1 (Baumbach). No = 5 (Dorsey Walker, Griffith, Johnson, Schwartzkopf, Wilson-Anton).

Vice Chair Dorsey Walker introduced **SB 234 AN ACT TO AMEND TITLE 30 OF THE DELAWARE CODE RELATING TO EXTENDING THE TIMEFRAME TO APPLY FOR A DOCUMENT FEE REFUND FROM 15 DAYS TO 30 DAYS.** *Time Stamp: 3:46*

Rep. Matthews shared the Department of Transportation had about twelve items on their legislative agenda to improve customer experience. This bill will extend the timeframe for a customer to apply for a document fee credit refund from 15 days to 30 days. This change will improve customer service by allowing a customer more time to submit the applicable paperwork.

Rep. Short asked is there a fiscal note associated with the bill.

Rep. Matthews shared that he does not believe so.

Vice Chair Dorsey Walker opened the floor to public comment. *Time Stamp: 3:47*

A motion to release was made by Rep. Spiegelman and seconded by Rep. Griffith to release SB 234; motion carried. Yes = 8 (Spiegelman, Short, Gray, Dorsey Walker, Griffith, Johnson, Schwartzkopf, Wilson-Anton). Absent = 2 (Baumbach, Smith). No = 0. The bill was released with a F = 0, M = 9, U = 0.

Vice Chair Dorsey Walker introduced **HB 435 AN ACT TO AMEND TITLE 30 OF THE DELAWARE CODE RELATING TO INCOME TAXES.** *Time Stamp: 3:49*

Rep. Griffith shared that bioscience is a huge part of Delaware's economy for many years. The chemical and science part of the economy has decreased over the years, but Rep. Griffith believes that there is hope through the work of Dr. Katie Lakofslay and others who are bringing back these jobs to Delaware. She shared that companies in these fields are struggling to hire and retain talent. The bill is designed after Rhode Island. Rep. Griffith shared that this bill creates a new chapter in Title 30 and establishes the STEM Talent Advancement and Retention Program ("STAR Program") and the STEM Talent Advancement and Retention Fund ("STAR Fund"). The purpose of this STAR Program is to incentivize and attract individuals graduating with an associate, bachelor's, graduate, or post-graduate degree in STEM to stay and work in Delaware.

Dr. Katie Lakofslay, DE Bio, noted that in 2021 a report was released called Life Sciences and the key finding of the report is the life sciences is a key economic driver in the state but that employers need a qualified workforce. And that this is one of many initiatives to have a STEM

talent pipeline. She reiterated that the program is modeled after Rhode Island who has had tremendous success in the past ten years within the STEM field and piloted the program to other fields. The tremendous population growth in the state is attributed to 70 percent of individuals sixty-five years of age and older.

Rep. Smith echoed support for the bill.

Rep. Griffith added that these positions are well paying jobs but are encountering a hard time recruiting. She emphasized the varying degrees necessary within the field.

Rep. Short asked how many folks would be in each cohort.

Dr. Lakofslay answered that there would be twenty scholars per cohort.

Rep. Short asked about maximizing the \$100,000.

Dr. Lakofslay stated that in year one it would be \$100,000, year two \$200,000, and over five years it would be \$800,000 total and 160 people.

Rep. Short noted that we missed the last bill because we had to find the money and now, we are doing reverse appropriations.

Rep. Griffith noted that it has to go to appropriations.

Rep. Wilson-Anton asked is there a guarantee that the students will stay in Delaware after they receive the assistance from the program.

Dr. Lakofslay responded that it's difficult to say but that being in a cohort might incentive individuals to stay.

Rep. Wilson-Anton shared that a similar program with teachers was done by Rep. Bentz that required staying in the state. She shared her concerns around cost and then no guarantee they will stay in the state.

Vice Chair Dorsey Walker opened the floor to public comment. *Time Stamp: 4:04*

Rebecca Goldsmith, Department of Finance, stated that this is important to the state, as drafted, there are technical concerns.

Rep. Griffith noted that if the bill is released that they will work with the Department of Finance to take care of any technical issues.

Rep. Smith also noted that the likely of participants staying is pretty high.

A motion to release was made by Rep. Spiegelman and seconded by Rep. Johnson to release HB 435; motion carried. Yes = 9 (Dorsey Walker, Griffith, Johnson, Schwartzkopf, Short, Smith, Spiegelman, Wilson-Anton, Gray). Absent = 1 (Baumbach). No = 0. The bill was released from committee with a F = 3, M = 5, U = 0.

Vice Chair Dorsey Walker adjourned the meeting. *Time Stamp: 4:09*

Respectfully submitted by Tyron Herring.

Attendee list:

- George Thomasson, Delaware Association of Realtors
- Rebecca Goldsmith, Department of Finance
- Katie Lakofslay, DE Bio
- Amy Anthony, DMV

Most sincerely,

A handwritten signature in dark ink, appearing to read "Paul Baumbach", with a stylized flourish at the end.

Paul Baumbach  
Delaware State Representative  
23<sup>rd</sup> District  
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