To: Tax Revision Commission
1101 4th Street, SW, Suite W770
Washington, DC 20024

From: Thais Austin
555 Massachusetts Avenue, NW, Apt. #207
Washington, DC 20001
202-289-2718 (cell)

Re: ***Real Property Deed Recordation & Transfer Tax, Written Testimony to Recommend Lowering Transfer Tax Burden on Residential Buyers Repurchasing in the District***

Good evening Chairman Williams and Commissioners –

My name is Thais Austin, a real estate agent licensed in Washington, DC and a long-time District resident, and I am pleased to speak about the impact of real property deed recordation and transfer taxes on buyers and sellers.

The two biggest news stories this year have been about the rise in DC home prices, as well as the lack of inventory for buyers. Make no mistake, these trends are much related.

The national mortgage crisis in 2008 led to a sharp decrease in home values. In the building where I live, built in 2005, values lowered to purchase price or less depending on the unit. Any unit that sold from 2008 until early 2013 was sold at a loss after closing costs - a large part of which is the city tax. Today, sellers who bought in 2005 and 2006 will break even with their sale after closing costs.

Yes, values have gone up, ***but the result has only been to regain equity lost during the mortgage crisis.*** When closing costs are added, sellers delay decisions to sell or rent while they wait for values to rise further. This is a ***major*** factor in the shortage of housing choices for buyers.

Every week, I meet with District residents who are interested in selling their one bedroom condo to move into a larger home for their growing family, but are prevented due to the amount of money they need for the new purchase. With the tax they pay at closing, which reduces proceeds, along with the second tax they pay at purchase, which increases closing costs, many move-up buyers simply *cannot bridge the gap.*

For example, a typical seller of a downtown $400,000 one-bedroom condo would have reduced proceeds of $5,800. If that seller is trying to buy a three bedroom row house for $650,000, they again would be hit by a tax - this time $9,425. **The total tax**

burden for this growing District family is $15,225. This amount is often a gap that simply cannot be made up.

In fact, one of my clients decided to purchase a home in Annapolis rather than take the large tax hit. **That scenario is played out regularly.**

As part of the recovery, appraisal reforms were also implemented that have caused a lag between what many buyers are willing to offer and what the appraised value might be. Because the market is in transition, appraisals are not keeping up because they are based on historical data and/or there is no comparable in the area on which to base the appraisal.

Because of these new rules, values are not rising as fast as sellers need to regain equity to sell and enough proceeds to purchase another home in DC. **This is a big factor in the dynamic that is playing out in the DC market.**

I firmly believe it's in DC's interest to support growing households, as they provide a significant amount of investment into our communities. The recordation and transfer tax is a double tax hit for families and a disincentive for homeowners to sell their current home and purchase another in the District that better suits their needs. And because DC homeowners are delaying decisions to sell while the market recovers, buyers are thrust into bidding wars and a market with low supply of housing - especially for the first-time buyers.

I recommend for buyers who have sold a DC home in the previous six months, their recordation tax on their new District purchase be reduced by about half. This incentive could make a significant difference in the decision making process of home owners, making it easier for them to sell and move to another home in the District.

Thank you very much for the opportunity to testify.