Greater Boston Chamber of Commerce

October 11, 2023

Representative Mark J. Cusack, House Chair
Joint Committee on Revenue
State House, Room 34
Boston, MA 02133

Senator Susan Moran, Senate Chair
Joint Committee on Revenue
State House, Room 506
Boston, MA 02133

Dear Chair Cusack and Chair Moran,

On behalf of the Greater Boston Chamber of Commerce and our 1,200 members, I write to oppose H.2793, *An Act relative to real estate transfer fees and senior property tax relief*, which imposes new transfer taxes on the sale of real estate in the city of Boston. The Chamber also opposes a statewide local option to impose new transfer taxes, including H.2747, *An Act granting a local option for a real estate transfer fee to fund affordable housing*; H.2879, *An Act authorizing a local affordable housing surcharge;* S.1786, *An Act relative to a local option real estate transfer fee to create and preserve housing;* S.1771 *An Act granting a local option for a real estate transfer fee to fund affordable housing*; and H.2788, *An Act empowering cities and towns to impose a mansion fee to support affordable housing*.

Proponents of these measures suggest that a so-called “mansion tax” will drive more affordable housing construction, however, jurisdictions with long-standing “mansion” taxes have in fact permitted less housing after the tax is implemented. Furthermore, Massachusetts communities already have a local option revenue for affordable housing that is dramatically underused.

We urge the Committee to look at residential construction trends in other jurisdictions with mansion taxes in its review of proposed legislation. New York and New Jersey, two states that are both competitors of Massachusetts, each have long-established real estate transfer taxes on properties over $1 million. New York state’s tax, implemented in 1989, levies an additional 1 percent tax on the sale price for properties sold for more than $1 million. New Jersey’s tax, implemented in 2004, similarly levies an additional 1 percent tax on properties sold for more than $1 million.

New York state averaged more than 60,000 housing units permitted per year between 1960 and 1988, before the mansion tax was implemented. Beginning with its implementation in 1989 and through 2022, it averaged less than 40,000 permitted housing units annually. During the 29 years before implementation, a total of 1.78 million housing units were permitted compared to 1.35 million in the 34 years that followed. With the mansion tax in place, the state permitted 431,000 fewer housing units compared to a period five years shorter without the tax in place.[1]

New Jersey follows similar trends. In the 19 years prior to the tax taking effect, the state averaged a total of 31,600 housing units permitted annually. In the 19 years since the tax took effect, the state has permitted an average of less than 27,500 units annually. Since the mansion tax took effect in 2004 through 2022, the state permitted 522,325 total units. Compared to the

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[1] U.S. Census, New Privately-Owned Housing Units Authorized by Building Permits in Permit-Issuing Places, Annual History by State, 1960-2022

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same length of time prior to the adoption – 1985 through 2003 – the state permitted 75,000 fewer housing units.[2]

Furthermore, Massachusetts communities already have the Community Preservation Act (CPA), a local option property tax for which up to 80% of revenues can be used to fund affordable housing. A recent study shows that the CPA is significantly underused for affordable housing purposes and in many cases does not even meet the minimum spending threshold required by law.

Since 2000, over half of municipalities across Massachusetts have voluntarily opted to adopt the Community Preservation Act.[3] According to a study issued in June 2023, the CPA has resulted in 15,000 local projects and a total of $2.7 billion in community investment, but affordable housing development represents only small fraction of the spending. Despite a requirement that CPA communities must devote 10% of funding toward affordable housing, 70 municipalities fall short of this rule. Only 20 percent of total CPA revenues going towards affordable housing purposes and less than 5 percent of CPA projects involve the construction of new housing units. Communities should make use of the tools they have before the state opens up another path to add a tax and further raise housing costs.

On behalf of our members, I urge the committee to consider the negative impacts on housing supply. In addition, the state just enacted a significant $1 billion tax cut law and adopting a new real estate transfer tax only serves to undercut the message to talent and employers that the state is taking its competitiveness seriously.

Thank you for your consideration and please reach out with any questions.

Sincerely,

James E. Rooney

James E. Rooney
President and CEO

CC: Members of the Joint Committee on Revenue

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[2] Ibid
[3] Missed Opportunities: Funding Housing Through the Community preservation Act," June 2023. The Center for State Policy Analysis at Tufts University