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Chatham joins transfer tax fight

Counties seek levy to pay for schools

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PITTSBORO - Chatham County on Monday joined a coming battle between the state's housing industry and counties looking for more revenue.

At least 10 counties are seeking legislative approval for a land transfer tax, which sellers would pay upon the sale of property. The cost would likely be passed on to buyers in higher asking prices.

At a morning meeting, Chatham County commissioners agreed to repeal the county's \$2,900 impact fee if a 1 percent land transfer tax is approved. The impact fee is applied to all new residences, regardless of the home's size or cost, to help pay for new schools.

Commissioner George Lucier said a land transfer tax would be a fairer way to pay for schools because it's tied to property value.

For example, a new or existing home that sells for \$125,000 would generate \$1,250 in a 1 percent land transfer tax. A \$500,000 home would generate \$5,000.

But two influential lobbying groups -- Realtors and home builders associations -- plan to fight the proposal.

"Imposing taxes on new and existing homes will hurt working families by making homes less affordable," said Tim Kent, executive vice president of the Realtors Association. It's also

unfair to tax people for selling their houses, he added.

Persuading legislators

Chatham commissioners might hire a lobbyist to help get the tax approved. They also are working with the N.C. Association of County Commissioners, which is trying to get a bill passed allowing all counties to levy the tax.

The association has tried for several years to get the tax approved, said spokesman Todd McGee, because of the state's increasing school population and growing Medicaid costs.

Seven counties in the northeast part of the state have the authority to levy a transfer tax. Since gaining permission in 1985, Dare has raised more than \$90 million with its 1 percent tax.

A similar tax in Chatham would raise \$7.08 million a year, according to the Chatham County Web site. That's about 10 times as much as a 1 cent increase in the property tax rate would raise. In addition to schools, the money could help pay for water and sewer systems, solid waste disposal and other needs.

Commissioner Mike Cross said the county has to submit its bill to the state House by the end of the month.

In Orange County, the land transfer tax is one of several revenue sources the county is seeking in collaboration with the state association, commissioners Chairman Moses Carey said. Others include an impact tax, which unlike the county's impact fee would vary based on the value of the new home, he said.

The Orange commissioners met with their local legislators Monday, but Carey said the lawmakers told them it's too early to know whether the requests would find more support this year.

House Speaker Joe Hackney, who represents Chatham and Orange counties, did not return a call seeking comment.

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