



The Transfer Tax: Growth Paying for Growth

The General Assembly passed a law in 2007 empowering counties to raise new revenues for needed infrastructure, like schools. Counties can levy **either** a 0.4% real estate transfer tax or a 0.25% sales tax if approved by voters in a local referendum. Although both options raise new revenue, the transfer tax will generate more funds in Wake County and in a fairer way.

The Problem

Wake County school student enrollment is due to double to 250,000 by 2025. That means 82 new schools must be built to keep up with our rapid population growth. What's more, the average cost of adding a school seat is roughly \$30,000 now, but could reach \$44,000 within five years because of inflation. Other requirements -- such as renovating our oldest schools and reducing the number of trailers -- bring total needs to \$2.6 billion over the next five years alone.

An Important Part of the Solution

In Wake, a 0.4% transfer tax can generate \$50 million this year, enough to fund a \$500 million school bond (equivalent to more than 20 new elementary schools) and decreasing the need for property tax increases. Transfer taxes are not the entire solution, but they provide new revenues that grow with the economy. **The reality is, either everyone's property taxes go up, or growth helps pay its share through transfer taxes.**

How the Transfer Tax Works

- Transfer taxes apply to all real estate transactions. The revenue stays in the county where it was collected.
- In Wake, land sales, new residential and commercial development will pay about 65% of the transfer taxes. Growth will pay for growth.
- Transfer taxes are based on value. Starter homes will pay less than large estate homes.

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How the Transfer Tax Differs from Property Tax

- Unlike property tax, as long as you live in your home, you do not pay the transfer tax.
- Transfer taxes help low-income citizens remain in their homes by avoiding increases in property taxes.

How the Transfer Tax Helps Our Schools

- The transfer tax can generate \$50 million this year and \$100 million in six years.
- Transfer taxes will help pay for growth and inflation in costs of land, materials and labor for school construction.
- Transfer taxes for school construction will free existing county revenues for improving K-12 education. Our school system spends \$40,000 less per classroom each year than the average U.S. school system.

Why the Transfer Tax Is Better than a Sales Tax

- The 0.25% sales tax will bring in about 80% less revenue than the transfer tax this year.
- The revenues from the sales tax will grow far slower than those from the transfer tax.
- Over time the revenues from the transfer tax will far exceed those from the sales tax
- The sales tax takes a higher proportion of income from low-income families than from affluent families.

How You Can Help

- Ask the Wake County Board of Commissioners to pass a resolution that 100% of transfer tax revenues will be used to repay the next school bond. www.wakegov.com/commissioners
- Ask the commissioners to put the transfer tax to a vote without a sales tax. If both are on the ballot, the neither tax may pass.
- Volunteer for WakeUP's efforts to educate voters, parents and local community leaders.