



# Legislative Talking Points

North Carolina Association of REALTORS®

Legislative Day – April 24, 2013

## 2013 Key Legislative Issues

The North Carolina Association of REALTORS® represents over 31,000 members making us one of the largest professional trade associations in the state. Real estate ownership and investment produces jobs and creates a solid foundation from which people build a life. In addition, homeownership creates substantial social benefits. Homeowners have a vested interest in their neighborhoods and support efforts to make their communities better places to live.

The real estate sector has always been a vital component of our state's economy and heritage. Today our state's real estate industry faces several challenges and action is needed to advance homeownership and strengthen our economy. We welcome this opportunity to share our views regarding key issues for the 2013 session of the North Carolina General Assembly.

### 1. Tax Reform

**Background:** The North Carolina General Assembly will be taking on the monumental task of reforming our tax code during the 2013 Legislative Session. They, like NCAR, want to make sure North Carolina is an attractive place to live and work for many years to come. We applaud their efforts to support business however we want to ensure there are no unintended consequences to their decisions to reform the state's tax system.

While legislation is being introduced piecemeal, NCAR expects the final product to more closely resemble the ideas which have been discussed by **Senator Bob Rucho (R Mecklenburg)**. Please note that this is a fluid discussion and what we have here may change as the legislation moves through the North Carolina General Assembly.

**REALTOR® Action:** Discuss the various provisions of tax reform discussed with your legislators and reiterate the importance of the real estate market to North Carolina's overall economy.

#### *Mortgage Interest and Property Tax Deductions*

- The Mortgage Interest Deduction is vital to the stability of the American housing market and economy.
- Reducing or eliminating the MID is a de facto tax increase on home owners and homeownership. The MID reduces the carrying costs of owning a home, and it makes a real difference to hard-working American families.
- The MID benefits primarily middle- and lower income families: 63 percent of families nationally who claim the MID earn less than \$100,000 per year. Replacing the MID with a tax credit or lowering rates would not necessarily reduce taxes for the middle class.
- There is no guarantee a tax credit or reduced rates would remain in place in the future.
- A poll of North Carolinians shows almost 60% oppose eliminating the MID or Property Tax Deduction.
- Progress has been made recently in bringing stability to the housing market – any changes to the MID now or in the future could place the housing market and the broader economy under stress, destroying wealth accumulation that is the foundation for a healthy middle class.
- If the MID was eliminated or reduced, market pressures on home prices would destroy wealth accumulation of hardworking middle-class families and the dreams they've worked hard to achieve such as college, retirement or starting a small business. The wealth of most middle-class families is connected to their home. North Carolinians bought their homes with the understanding that mortgage interest is tax-deductible, and many of them have steadily

paid down their mortgages to build equity in their home. Eliminating or reducing the MID would destroy the hard-earned equity of all home owners.

### *Transfer Taxes*

- Imposing an additional “transfer-tax” on the sale of land or a home, using the term “conveyance fee”. But it’s really just a home tax.
- This is the same tax that voters and homeowners fought hard against in 2007 and was defeated 24 times on 24 local ballots with an average 78% margin against the tax.
- The Home Tax strips people of their hard-earned equity: the equity many people plan to use for their children’s education or for their own retirement.
- It was a bad idea then, and it’s still a bad idea today. The home tax, coupled with a tax on all the services involved in the transfer of real property, could devastate the weakened real estate market and hurt North Carolina’s overall economy.
- Skin in the Game - 49% of all revenues collected by county governments come from property taxes. That’s \$5.9 billion in revenue paid by homeowners to fund county governments. City governments tend to rely even more heavily on property taxes. Property owners and homeowners are paying their fair share of taxes – funding county and local governments across the state.

### *Service Taxes*

- Given the change in our economy, North Carolinians are using more and more services. One option that has been proposed is to increase the number of services upon which NC charges taxes.
- As much as an 8% tax on services has been proposed.
- To require this tax on all services on a HUD statement would have a detrimental impact on real estate transactions. Imagine an 8% tax on the services provided by an attorney; an 8% tax on the appraiser; an 8% tax on the home inspector; and an 8% tax on the services for using a broker.
- It would add thousands to the cost of a typical home and unfairly target property owners.
- Owning a home will become more difficult. A new series of taxes that pile on to property owners isn’t reform, it just makes families pay more.
- Most homeowners have lost value in their home – and housing prices are just now starting to make a comeback. The last thing we need is to burden homeowners trying to sell their home in this economy.
- It would increase the cost of new single-family and multi-family housing construction. On average, labor costs would rise \$60 per laborer per week.

**REALTOR® Position:** Now is not the time to load up the housing industry with new taxes and fees — which could hurt our recovering economy. Ask your legislators to protect the fragile housing and real estate market during this discussion and debate over tax reform and to maintain the Mortgage Interest Deduction and Property Tax Deductions in any tax reform package as they are vital to encourage homeownership.

## **2. Residential Design Guidelines**

**Background:** Urban design refers to the arrangement, appearance and functionality of towns and cities, and in particular the shaping and uses of urban public space. Local governments have begun to incorporate urban design mandates on single family residential housing using zoning and other police powers. Even though local governments **do not currently** have statutory authority to regulate design elements, a number of local governments are mandating certain architectural elements, such as color schemes, building materials and garage size and placement, in their zoning ordinances.

**REALTOR® Position:** The North Carolina Association of REALTORS® **supports House Bill 150 (Zoning/Design and Aesthetic Controls)** introduced by Representatives Nelson Dollar, Bill Brawley, Tim Moffitt and Jonathan Jordan. **Ask your Senator to please vote for H 150 as it comes to the Senate this week.**

- Elements being regulated such as color schemes, exterior material and garage placement are non-structural architectural design elements. There are no public safety or welfare purposes served in regulating these elements through police powers.
- Design and aesthetic requirements directly result in potentially large increased housing costs. For instance, one county zoning ordinance currently requires an eight foot deep front porch over 40 percent of the front of the house. This adds roughly \$9600 (on a 60' wide house) in cost of the home for a feature the purchaser may not feel is a benefit.
- H 150 **does not** prohibit design requirements pertaining to local historic districts or areas listed on the National Register. It **does not** apply to historic landmarks. And, H 150 **does not** interfere with covenants or private contracts, including Homeowners' Association covenants.
- H 150 allows homebuilders and homebuyers to determine what is best for their needs in their local real estate markets while still preserving the neighborhood character, property rights and values of surrounding owners.

### **3. Rental Registration and Inspection Changes**

#### **Background:**

Two years ago, the General Assembly recognized the need to protect rental housing in North Carolina by addressing overreaching regulations implemented by cities and counties. Local governments, like property owners, are naturally concerned about housing conditions. However, they have begun to fight the blight in ways that impede on private property rights and unfairly tax rental housing without providing a public benefit.

We all want to help local governments fight neighborhood decline while ensuring minimal health, safety, and sanitation conditions are maintained in residential structures. Unfortunately, some N.C. municipalities have evaded the intent of previous legislation and are still singling out rental housing.

**REALTOR® Position:** The North Carolina Association of REALTORS® **supports H 773** sponsored by Representatives Bill Brawley, Tim Moffitt, Jon Hardister and Bill Brisson. Ask your Representative to **vote for H 773** as it comes to the House next week because it:

- Allows resources to be used to focus on unsafe conditions, problem properties and irresponsible owners and landlords.
- Continues to provide local governments the authority to conduct inspections as part of a targeted effort to arrest blight within designated geographic areas. But ensures the inspections are limited to true problem areas and limits the designation of an area to one that meets the requirements of a community block development grant and is no more than 1 square mile of the city or county at a time.
- Prohibits local government rental registration programs, permits, fees, and Certificates of Occupancy as a condition of operating rental housing – all of which increase the costs of housing.
- Provides some clarification in the statute:
  - Changes “property” to “unit” to show that the individual units much each reach a high level of emergency calls and does not allow the local government to aggregate the calls for an entire rental complex.
  - Defines verified violation and allows the property owner the opportunity to correct the problem prior to placement within the problem property category.
- Allows for voluntary rental registration programs so that local governments can locate property owners quickly in case of emergency and only requires registration for those problem properties. However, for those properties required to register the following protections are required:
  - Owners of all problem properties that are required to register must receive notification of all issues on their property from emergency personnel.
  - The law enforcement must cooperate with all criminal proceedings for the property owner including eviction testimony.
  - If law enforcement does not cooperate, the property cannot be put into the top 4% of problem properties. This will help property owners solve the issues plaguing the property by providing them legal protections and the ability to evict tenants who are violating the law.

#### 4. Support the North Carolina Housing Trust Fund

**Background:** The North Carolina Association of REALTORS® is committed to promoting homeownership and guaranteeing housing affordability. Because of this commitment, we whole-heartedly support the North Carolina Housing Trust Fund.

The Housing Trust Fund is a dedicated resource for financing housing that is affordable to low-income persons. All 100 counties have benefited from projects funded by the Trust Fund. Since 1987 the Housing Trust Fund has been used to finance homes for first-time buyers; to build apartments for working families, seniors, and persons with disabilities; and, to make emergency home repairs to keep vulnerable people living independently.

The N.C. Housing Finance Agency pays the cost of administration and all state appropriations go directly into "bricks and mortar".

**REALTOR® Position:** The North Carolina Association of REALTORS® **supports** returning the investment in the Housing Trust Fund to \$10 million in this year's budget.

#### 5. Social Responsibility Report

**Background:** REALTORS® understand the meaning of neighborhoods. We know that the fabric of a great community starts with people who care about each other. The North Carolina Association of REALTORS® wants you to know that statewide REALTORS®, collectively and individually, give back to the communities in which they live. Even though we have seen some of the toughest economic times in our modern-day history, REALTORS® across North Carolina are coming together to build a better state one neighborhood at a time.

**REALTOR Action:** Share a copy of the Report with your elected officials!

- In 2012, REALTORS® across North Carolina worked on many projects across our state. Here, we highlight statewide REALTOR® programs and more than 100 volunteer and service projects. Overall, we estimate a total of more than \$1.5 million in donations from REALTORS® went directly back into our communities last year.
- The real estate and housing industry creates jobs, almost 500,000 of them right here in North Carolina. We're working with our elected leaders, government officials, business and industrial executives to strengthen our communities and our state.
- REALTORS® are working to promote and protect homeownership.

**If you have questions or would like more information on these issues, please contact Cady Thomas at [cthomas@ncrealtors.org](mailto:cthomas@ncrealtors.org), (919) 573-0996 or (919) 624-6488.**