



Concerns about technical flaws in HB4007

There are three technical flaws in the bill as drafted. They require clarity or the bill will likely bring court cases.

#1 Is there a limitation of \$50,000 or not?

Page two lines 25-26 "There is no limitation...." is in direct conflict with page 3, line 6-7 "principal and earnings not to exceed \$50,000." **Recommendation: page two, lines 25-26 should be removed, eliminating the sentence "There is no limitation on the amount of contributions that may be made to or retained in a first-time home buyer savings account."**

#2 Clarity is needed about the phase out

SECTION 4 should send readers to SECTION 6 rather than mentioning the \$10,000 and \$5000 figures, or be eliminated as it is in conflict with the phase out in SECTION 6. **Recommendation: replace the end of this sentence "...there shall be subtracted from federal taxable income the amount of funds contributed to an account holder's first-time home buyer savings account established under sections 1 to 10 of this 2018 Act during the tax year, not to exceed the amounts as outlined in SECTION 6."**

#3 What happen if the money isn't use for a home purchase?

Of course, if the money is not used for a home purchase, the law should collect taxes on funds that were put into the accounts without taxation and on the gains on deposits. But the language of the bill as drafted would collect taxes on funds put in by someone other than the account holder, or in excess of the tax exempt amount contributed by the account holder. In either case, that income would have been taxed already. **Recommendation: the easiest solution would be to eliminate allowing anyone besides account holders to contribute funds and limited account holders to no more than the exempt amount.** Anyone can save additional funds in another account. **Alternatively:** language will separate out original amounts contributed in excess by the account holder(s) or by others, from exempt amounts contributed by the account holder(s) and all interest or capital gains on money in the accounts. This change would best occur three times, on page 3 near current lines 2, 16 and 42.

Further, we still believe these accounts should be at Treasury, just as are 529 and retirement savings, the similar funds Oregon has. Further, **the words "or reimburse" should be eliminated in the six places they occur.** The only reason we can see for that provision is to facilitate buyers becoming tax advantaged savers at the closing or shortly before. Do you know of other reasons? And finally, there is still **no language about collecting taxes on the money if the account holder moves out of state.**

You may find helpful the following information which compares government fees and home purchases in neighboring states.



Recording Fees and Taxes – Olympia, Sacraments and Salem

How do we compare to our neighbors in terms of what “the Government” collects upon a home sale/purchase?

Our comparison is based on a typical sale with two documents being recorded, a deed and a mortgage, with a total of 40 pages, and a sales price of \$300,000.

Olympia, Washington: \$5526

\$ 186 filing/recording feesⁱ
\$5,340 real estate excise taxⁱⁱ
\$5,526

Sacramento, California: \$306

\$156 filing/recording feesⁱⁱⁱ
\$150 a new fee under the Building Homes and Jobs Act, as of 1.1.2018 for affordable housing^{iv}
\$306

Salem, Oregon: \$282

\$282 filing/recording fees today^v
\$337 Upon increase from \$20 to \$75

In Oregon and California, the fees and taxes collected for the government are a very small portion of the \$6,700 a buyer faces in closing costs, and a far smaller percentage of the \$22,000 cash needed at settlement for a \$300,000 home with the 5% down payment expected for a standard mortgage. ^{vi}

ⁱ The Olympia/Thurston County recording costs \$74 for the first page and \$1 for each addition page. But there is also a real estate excise tax.

ⁱⁱ In Olympia, the real estate excise tax rate is 1.78%, (1.28% to the state and .50% to local govt.)

ⁱⁱⁱ In Sacramento County the current fees are \$21 for the first page, and \$3 for each additional page.

^{iv} California recently added a new document recording fee of \$75 to help address their housing crisis. *In addition to any other recording fees specified in this code, a fee of seventy-five dollars (\$75) shall be paid at the time of recording of every real estate instrument, paper, or notice required or permitted by law to be recorded, except those expressly exempted from payment of recording fees, per each single transaction per parcel of real property. The fee imposed by this section shall not exceed two hundred twenty-five dollars (\$225).*

^v In Salem/Marion County, the recording currently costs \$46 for the first page, and \$5 for each additional page. A change from \$20 to \$75 would change that to a total of \$101 for the first page and \$5 for each additional page.

^{vi} <https://smartasset.com/mortgage/closing-costs>