

Ballot Simplification Committee

Approved Digest-Thursdays, July 31, 2014

Requests for Reconsideration due Friday, August 1, by 5:00 p.m.

Additional Transfer Tax on Residential Property Sold Within 5 Years of Purchase

(working title only, subject to change)

THE WAY IT IS NOW:

The City collects a transfer tax on sales of most real property in San Francisco. The tax rate depends on the sale price of the property. The lowest tax rate is 0.5%, for property sold for \$250,000 or less. The highest tax rate is 2.5%, for property sold for \$10,000,000 or more. The tax rate is not affected by how long a property is owned.

THE PROPOSAL:

Proposition ___ would impose an additional tax on the sale of certain residential properties that are sold within five years of purchase or transfer. The following table shows the tax rates that would apply:

Length of Time Seller Has Owned the Property	Tax Rate
Less than one year	24%
One to two years	22%
Two to three years	20%
Three to four years	18%
Four to five years	14%

For example, if an owner buys a residential property for \$1,000,000 and sells it less than one year later for \$1,000,001, the tax would be \$240,000 (24% of the sale price), plus the existing transfer tax.

This additional tax would take effect on January 1, 2015.

This additional tax would not apply in the following circumstances:

- The property is a single-family house or condominium;
- An owner of the property has used it as a primary residence for at least one year immediately before the sale;
- The property contains more than 30 separate residential units;
- The property is sold for an amount equal to or less than what the seller paid for the property;

- The property is sold within one year of a property owner's death;
- The property is legally restricted to low- and middle-income households;
- The property is newly built housing;
- The property meets the following criteria: it contains no more than two dwelling units; the seller applied on or before July 1, 2014, for a building permit for a project with a total construction cost of \$500,000 or more; and the last permit was issued no more than a year before the sale of the property; or
- The sale of the property is exempt from the existing transfer tax.

This measure would also authorize the Board of Supervisors to create additional exemptions from both the existing transfer tax and this proposed additional tax for properties that are subject to affordability-based restrictions.

A "YES" VOTE MEANS: If you vote "yes," you want the City to impose an additional tax of between 14% and 24% on the sale of certain residential properties that are sold within than five years of purchase or transfer, subject to certain exceptions.

A "NO" VOTE MEANS: If you vote "no," you do not want the City to impose this additional tax.

word count: 431 [suggested word limit: 300]