



CHICAGO REAL ESTATE TRANSFER TAX

In Illinois, real estate transfer taxes are imposed by the state, county and sometimes the municipality (as is the case in Chicago) when real estate is transferred within the jurisdiction.

Some well-intentioned organizations are advocating for another increase in Chicago’s transfer tax to fund homeless programs. While BOMA/Chicago shares interest in providing resources and housing for the homeless, we oppose an increase in transfer taxes to fund this initiative for the following reasons:

Chicago’s Transfer Tax is Already Excessive

The current transfer tax for Chicago totals \$5.25 per every \$500 and is by far the highest of all transfer taxes charged by any other municipality across Illinois.¹ In fact, the average transfer tax among all other municipalities throughout Illinois is \$2.06 per every \$500 – over 60% lower than Chicago. This doesn’t include municipalities that charge a flat fee per real estate sale ranging from \$25 to \$50. Looking to our neighboring states, Wisconsin charges \$1.50 per \$500 and Indiana doesn’t charge a transfer tax.

When comparing to similar U.S. cities, Chicago’s current transfer tax is higher than transfer taxes assessed in Los Angeles, San Francisco, Miami, Minneapolis, Atlanta, Boston, and Nashville. Texas – one of Chicago’s fiercest competitors for recent commercial office investment – has no transfer tax.

Transfer Fees Are an Unreliable Source of Revenue

Because home and building sales vary from year to year, the wide fluctuations in revenues make this an unpredictable source of revenue, particularly to fund something as critical as homeless programs. For Chicago’s downtown office buildings, our total sales transaction value has plummeted over the last six years to less than one quarter of what it was in 2015.

CURRENT TRANSFER TAXES IN CHICAGO²		PROPOSED TRANSFER TAXES IN CHICAGO	
<i>Example: Residential or Commercial Building Valued at \$1,000,000</i>		<i>Example: Residential or Commercial Building Valued at \$1,000,000</i>	
State of Illinois (\$0.50/\$500):	\$ 1,000 (seller pays)	State of Illinois (\$0.50/\$500):	\$ 1,000 (seller pays)
Cook County (\$0.25/\$500):	\$ 500 (seller pays)	Cook County (\$0.25/\$500):	\$ 500 (seller pays)
City of Chicago/CTA (\$1.50/\$500):	\$ 3,000 (seller pays)	City of Chicago/CTA (\$1.50/\$500):	\$ 3,000 (seller pays)
<u>City of Chicago (\$3.75/\$500):</u>	<u>\$ 7,500 (buyer pays)</u>	<u>City of Chicago (\$13.25/\$500)</u>	<u>\$26,500 (buyer pays)</u>
Total Paid (\$6/\$500):	\$12,000 (1.2% tax)	Total Paid (\$15.50/\$500):	\$31,000 (3.1% tax)



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Downtown Commercial Corridors Are Suffering; Increases Hurt Businesses and Residents

Downtown has experienced a sluggish return to office with only 37% occupancy rate on the busiest of weekdays, while vacancy rates are at a record high. As existing leases come to an end in the years ahead, it is expected that more tenants will reduce their space or terminate their leases altogether. We are seeing a number of building owners forfeit their keys to their banks because they can no longer make the mortgage payments.

Increasing the industry’s expenses will discourage additional building sales in Chicago, dampen economic growth, and impact union jobs. Because commercial property disproportionately subsidizes residential property taxes, discouraging growth results in higher property taxes for all residential property owners.

Additionally, taxes and fees assessed on commercial property owners are passed onto tenants – business owners big and small who employ millions of people and drive our economy. Many businesses have struggled to stay open throughout the pandemic or shut their doors altogether.

Comparing Transfer Taxes Across the Country	
<i>Transfer Tax on \$1 Million Property</i>	
City	Total Transfer Tax
Austin ⁴	\$0
Houston ⁴	\$0
Dallas ⁴	\$0
Denver ⁴	\$100
Atlanta ⁴	\$1,000
Minneapolis ⁵	\$3,400
Nashville ⁴	\$3,700
Boston ⁴	\$4,560
Los Angeles ⁶	\$5,600
San Francisco ^{4, 7}	\$8,600
Miami ^{8 9}	\$10,500
Chicago²	\$12,000 <i>Proposal would increase to:</i> \$31,000
Washington DC ¹⁰	\$14,500
New York ^{11, 12}	\$30,250
Philadelphia ¹³	\$42,780

Transfer Taxes are Just a Portion of the Excessive Tax Burden on Chicago’s Real Estate Industry

Expenses for commercial real estate transactions, especially those of downtown office buildings, are significant. Not only are commercial buildings assessed at a property tax rate that is 2.5 times the rate of residential buildings, but additional costs are also incurred in sales including brokerage, title, legal and financial fees, along with tax liabilities such as capital gains and depreciation costs. Chicago already has the second highest commercial property tax rates in the country, second only to Detroit.³

Building Redevelopment Would be Hindered

There is a significant need for adaptive reuse of existing Downtown commercial buildings due to record office vacancy from remote work, retail closures, and under-occupied hotel space. Higher transfer taxes would make these properties less likely to be redeveloped.

For More Information

For more information, please contact Amy Masters, Director of Government and External Affairs, at amasters@bomachicago.org or (312) 870-9612.

REFERENCES

- ¹ [Listing of all Municipal Real Estate Transfer Taxes in Illinois](#), Illinois Realtors Advocacy Program
- ² [Real Property Transfer Tax](#), City of Chicago
- ³ [2021 50 State Property Tax Comparison Study](#), Lincoln Institute of Land Policy & Minnesota Center for Fiscal Excellence
- ⁴ [State Transfer Tax Comparison Chart](#), November, 2021, WestLaw
- ⁵ [Mortgage Registry and Deed Tax Calculator](#), Hennepin County, Minnesota
- ⁶ [Documentary Transfer Taxes](#), Los Angeles County Clerk
- ⁷ [Transfer Tax](#), City and County of San Francisco, Office of the Assessor-Recorder
- ⁸ [Documentary Stamp Tax](#), Florida Department of Revenue
- ⁹ [Deed Calculator](#), Miami-Dade County Clerk of the Courts
- ¹⁰ [Real Estate Ownership](#), District of Columbia
- ¹¹ [Real Property Transfer Tax](#), New York City, Department of Finance \$22,650+10,002+4,000
- ¹² [Real Estate Transfer Tax](#), New York State
- ¹³ [Realty Transfer Tax](#), City of Philadelphia