



NC REALTORS®  
Legislative Policy Statement  
Revised September 2020

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## INTRODUCTION

*“Under all is the land. Upon its wise utilization and widely allocated ownership depend on the survival and growth of free institutions and of our civilization. REALTORS® should recognize that the interests of the nation and its citizens require the highest and best use of the land and the widest distribution of land ownership. They require the creation of adequate housing, the building of functioning cities, the development of productive industries and farms, and the preservation of a healthful environment.” - REALTOR® Code of Ethics*

NC REALTORS® Legislative Policies are built on this foundational statement and the following principles which flow from it:

- We believe property owners have the right to buy, sell and use their properties for the quiet enjoyment of their pursuit of happiness. We also believe that right is necessary for a free market economy to operate.
- We believe safe, decent housing should be available and affordable at all income levels.
- We believe homeownership brings benefits to individuals, families and communities. All who can afford and choose to own their homes should have the right and opportunity to share in the American Dream.
- We believe commercial use of property is essential to the state and local economies and building healthy, vibrant communities.
- We believe REALTORS® are essential to providing ethical, professional service during the transfer of property.
- We believe NC REALTORS® can and should be The Voice of Real Estate on behalf of our 50,000 members and their property-owning customers in advocating for these Legislative Policies.



## DEVELOPMENT

### *Background*

North Carolina is one of the fastest growing states in the nation. While growth keeps communities strong and vibrant, there are costs associated with growth. Cities will often try to mitigate those costs by enacting regulations designed to manage the growth rate. Often, those ordinances either deliberately or unintentionally constrain development, artificially preventing the market from responding to demand. They also add cost, exacerbating housing affordability. This also impinges on property owners' rights.

### *Policies*

NC REALTORS® supports responsible growth management strategies that anticipate and plan for growth's impact on transportation, education, housing, business and commercial sectors, and the environment. Those plans should not unduly constrict new housing supply. They should not shift community costs on to individual property owners or developers.

NC REALTORS® supports reasonable, limited zoning that protects property owners' rights from being infringed by uses that harm their property.

NC REALTORS® opposes exclusionary zoning, urban services boundaries, and other schemes intended to limit the highest and best use of the land.

NC REALTORS® opposes zoning ordinances and other regulations which are intended to create or continue housing segregation.

NC REALTORS® opposes inclusionary zoning requirements. Individual property owners and developers should not have to bear the costs of providing low income housing. Those expenses should be borne by the community as a whole. Further, inclusionary zoning increases the price of the market rate homes, directly hurting housing affordability.

NC REALTORS® opposes extraterritorial jurisdiction. Property owners should not be regulated by elected officials for whom they cannot vote. The democratic right to choose our governors is a fundamental principle on which our country was founded.

## ECONOMIC DEVELOPMENT AND GLOBAL ENGAGEMENT

### *Background*

Economic Development benefits REALTORS® and the real estate industry in several ways. Job growth increases the workforce, requiring more housing. That helps our residential REALTORS®. Economic Development involves new or repurposed industrial, flex or office sites. That helps our commercial REALTORS®. Economic Development generates growth, building strong communities. All REALTORS® "sell" communities.



North Carolina is fortunate to be very attractive to companies relocating or starting new businesses. That is true not only in recruiting businesses from other states, but also from other countries. There is also a sizable population of foreign nationals who purchase and/or invest in homes and other properties in North Carolina. REALTORS® provide brokerage services to these customers and clients.

### *Policies*

NC REALTORS® supports the funding and activities of the Economic Development Partnership of North Carolina (EDPNC).

NC REALTORS® supports incentive programs necessary to attract businesses to North Carolina.

NC REALTORS® supports programs designed to spread economic development to all areas of the state, especially rural and low-wealth areas.

NC REALTORS® will work to ensure North Carolina continues to be competitive and welcoming to foreign investors, foreign investment and foreign nationals who choose to live here.

## EDUCATION

### *Background*

High quality education is key to North Carolina's future growth and the long-term health of our communities. An educated workforce is needed for economic development. A strong education system is particularly important to the decisions of homebuyers.

### *Policies*

NC REALTORS® supports providing necessary resources to deliver quality education in K-12, our community colleges and the public university system.

NC REALTORS® believes funding for North Carolina's educational systems should not place inequitable burdens on property owners through the imposition of impact fees or other financial mechanisms.

## ENVIRONMENT

### *Background*

North Carolina is blessed with abundant natural resources and a beautiful environment. These qualities are important to attracting business and investment. They also attract new residents and visitors. Due to our geography, many of the resources are at risk from natural sources as well.



### *Policies*

NC REALTORS® supports preserving the environmental integrity of our natural resources while also protecting the property owner rights of our citizens. Efforts to safeguard our environment and natural resources must be reasonable, economically feasible, sustainable and equitable to property owners and the community at large.

NC REALTORS® supports the preservation and protection of North Carolina's beaches through public education and dedicated funding for nourishment projects. Beach nourishment protects residential homes, businesses, dunes, wildlife nesting habitats, public infrastructure and private property. Beaches and beach-related businesses are the life blood of our coastal economies, providing jobs, tourism, and an important tax base.

NC REALTORS® opposes strict tree ordinances in North Carolina municipalities. Regulating trees impinges on the rights of the property owner and will increase the cost of housing by restricting the use of the land.

NC REALTORS® discourages local governments from adopting environmental regulations from neighboring jurisdictions without considering the unique ecological, climatic and topographic conditions of their jurisdiction.

NC REALTORS® supports efforts to protect the quality of all North Carolina water sources, both for human consumption and general use. We recognize that there needs to be water quality established by scientific experts. Communities and homeowners rely on clean, drinkable water supplies which can be negatively affected by point-source and broad-based.

NC REALTORS® supports responsible stormwater management policies which provide environmental protection while respecting the rights of property owners. REALTOR® members should take an active role in assisting their local communities in the development of stormwater and wastewater regulations for development.

## HOUSING AFFORDABILITY AND AVAILABILITY

### *Background*

Housing is a fundamental need for all people. Unfortunately, there continue to be many challenges and barriers to affordable housing.

Even in the face of the federal and state Fair Housing laws, homebuyers continue to face intentional and unintentional bias and discrimination in housing markets. This includes minority groups that are not yet covered by the Fair Housing laws. Consistent with our Code of Ethics, REALTORS® are bound by the requirement not to deny real estate services or base employment decisions on a person's race, color, religion, sex, handicap, familial status, national origin, sexual orientation, or gender identity.



Despite significant efforts, a segment of the population also remains homeless. Support programs have not addressed all the issues they face. Others can only afford substandard housing options. Subsidized affordable housing falls short of needs. There is a growing need for more affordable, safe homes for working families, the elderly, and persons with special needs.

Coupled with these and other challenges, housing supply at most price points lags demand, increasing housing affordability issues within broader segments of the population. It also prevents many otherwise qualified people from enjoying the benefits of homeownership. Government policy exacerbates supply shortages and affordability through exclusionary zoning restrictions, lengthy and unpredictable approval processes and high regulatory fees.

### *Policies*

NC REALTORS® is committed to housing opportunities for all.

NC REALTORS® stands firm in our commitment to Fair Housing for all persons, encompassing all populations included in and implied by the REALTORS® Code of Ethics.

NC REALTORS® supports expanding housing anti-discrimination protections to include sexual orientation and gender identity.

NC REALTORS® supports the NC Housing Trust Fund's efforts to make the dream of homeownership a reality for more North Carolinians. We advocate for more annual funding and will continue efforts to establish a dedicated source of revenue.

NC REALTORS® supports efforts to assist property owners in avoiding foreclosure, including but not limited to first-time homebuyer education and foreclosure prevention grants.

NC REALTORS® supports initiatives at the local, state and federal level to remove barriers to the production of new housing supply for all price points. These include:

- Local zoning classifications that allow for more housing options.
- Expedited approval and inspection processes, simplified regulations and reduced fees to save time and cost in development and construction.
- Development incentives, including increased residential density bonuses.
- Legislation to allow for simplified rehabilitation of existing buildings.
- Commercial and residential development incentives for adaptive reuse.
- Brownfields legislation to reduce landowner liability and promote redevelopment of urban areas.

NC REALTORS® supports efforts to make low income housing safe and healthy. These include:

- The elimination of substandard housing through aggressive enforcement of local building codes.
- Local public, private, and joint rehabilitation/repair programs for low-income homeowners, including senior citizens on fixed incomes.

NC REALTORS® supports appropriate incentives and subsidies to provide housing to the neediest. These include:

- Federal housing assistance programs, including Section 8 rental and ownership programs.
- Federal multi-family as well as single-family rental housing development tax credits.



## PROPERTY MANAGEMENT

### *Background*

By providing rental housing, landlords and property managers are key components to our housing market. Too often, they are subject to laws and regulations which unfairly penalize them when tenants do not live up to their contractual agreements. It is costly and difficult for landlords to recoup lost rent. This hurts their business and income while driving up the cost of housing.

Other local regulations, such as registration requirements, increase the cost of rental property. Some areas of the country directly intervene in the market by controlling the price of rentals, which leads to less development of new units.

Many property owners face restrictions on how they are allowed to rent their property. Local governments regulate to whom and for how long they can rent their property. These efforts most often target short term rentals, such as traditional vacation rentals or Airbnb's. This impacts their ability to generate income and limits housing options for visitors who are vital to so many local North Carolina economies reliant on tourism.

### *Policies*

NC REALTORS® supports revising legislation restricting municipal requirements for registration of rental properties as municipalities find new methods to circumvent existing legislation.

NC REALTORS® supports the existing statutory prohibition on rent control in North Carolina.

NC REALTORS® opposes the ability of local governments to restrict or regulate length of stay in rental property.

NC REALTORS® agrees that short term rentals should comply with requirements of the Vacation Rental Act, including remittance of appropriate taxes and fees required.

NC REALTORS® supports the licensure of short-term rental property managers and facilitators to provide consumer protections.

## OTHER HOUSING ISSUES

### *Background*

Property Owners' or Homeowners Associations (HOAs) are increasingly more prevalent. They can provide benefit to property owners by governing property use to enhance the quality of life in neighborhoods and the owners' enjoyment of their property. Since these are voluntary associations, home buyers need to weigh the benefits against current and potential future restrictions on their property owners' rights as well as financial obligations which can be imposed by HOAs. All property owners in HOAs deserve protections from abuses of power and fiscal mismanagement.





### *Policies*

NC REALTORS® believes owners' associations must be ethical, professional and fiscally sound to protect property values and ensure the marketability of the property.

NC REALTORS® endorses the ethical and professional management of property owners' associations for the protection of their members and the public. We support further protections for HOA property owners, including, but not limited to, licensure of association managers.

## INFRASTRUCTURE

### *Background*

All communities need sound infrastructure to survive. Growing communities need expanding infrastructure to thrive. Unfortunately, many communities lack necessary infrastructure, especially in rural North Carolina. Many more communities are faced with deteriorating infrastructure without adequate resources to address the problems.

Among other things, infrastructure needs include transportation, broadband connectivity, access to water and sewer/septic,

## TRANSPORTATION FUNDING

### *Background*

As a state, our transportation system is the envy of the nation, but currently DOT funding cannot meet our needs. Future funding is uncertain as revenues from the gas tax decline with vehicles shifting from fossil fuels to alternative fuel sources.

The lack of transportation resources threatens North Carolina's success in providing adequate roads as well as attracting new business investment and relocation.

### *Policies*

In reforming DOT funding, NC REALTORS® oppose mechanisms that disproportionately affect any single industry or group of people. The Vehicle Mileage Tax disproportionately impacts industries that rely on driving, as well as state residents. State residents are paying taxes already and should not be treated differently than non-residents who use our roads.



## PRIVATE ROAD MAINTENANCE

### *Background*

Local roads across the state abandoned by developers have not been adopted by NCDOT, leaving residents to shoulder expensive upkeep. Many of those homeowners were given assurance these now “Orphaned Roads” would become state roads. The deteriorating condition of these roads threatens access by emergency vehicles and school busses and can prevent lending for property sales. Existing and would be property owners need assistance to bring these roads up to state standards.

### *Policies:*

NC REALTORS® supports clear road standards and adoption procedures to ensure roads intended for DOT adoption do not end up abandoned, leaving homeowners’ safety and financial security in jeopardy.

NC REALTORS® supports an additional, one-time, appropriations to repair these roads with immediate acceptance Department upon completion.

NC REALTORS(R) supports expanding the local option sales taxes to be used to repair these roads.

## BROADBAND

### *Background*

While most of the state has some broadband available, in rural areas most of the households do not have access to the service. Connecting “the last mile” is too costly. Many students must travel to hot spots to do online research and homework. Many who would like to work from home in a rural setting cannot conduct their business without high speed internet.

### *Policy*

NC REALTORS® supports increased funding for the G.R.E.A.T. Grants program to assist in broadband expansion.

NC REALTORS® supports easing regulatory restrictions on broadband infrastructure and exploring incentives for public-private partnerships to provide service to underserved areas.



## INSURANCE

A healthy, affordable insurance market is critical to homeowners and business to protect their investments and livelihoods. North Carolina has special challenges for insurance coverage given our history of natural disasters and an arcane and archaic rate setting system.

### FLOOD INSURANCE

#### *Background*

The National Flood Insurance Program (NFIP) provides up to \$250,000 of flood insurance coverage where required for a federally backed mortgage in 22,000 communities nationwide. For most, the NFIP continues to be the primary source of asset protection against flooding, the most common and costly natural disaster in the United States.

As currently structured, the NFIP is not financially sustainable over the long run. The program's premiums are too low to cover expected catastrophic loss claims. NFIP has borrowed over \$30 billion from taxpayers to cover its losses.

#### *Policy*

NC REALTORS® supports a strengthened NFIP which appropriately accounts for risk and which is not financially volatile. It is vital that the NFIP remains as an option of last resort in communities where insurance is financially prohibitive due to risk and insurability.

NC REALTORS® supports the addition of a robust private flood insurance market to offer choices and maintain access to flood insurance in all markets at all times.

### HEALTH INSURANCE

#### *Background*

As independent contractors, most REALTORS® must purchase health insurance on the open market. This is very expensive, and our members need high quality, more affordable options. Changes to Federal regulations have opened the door to Association Health Plans (AHP), which would allow qualified organizations to provide group health insurance coverage to their members. The rule change is now on hold pending a Federal lawsuit. In 2019, NC REALTORS® successfully advocated for legislation that will allow AHPs to operate in North Carolina.



### *Policy*

NC REALTORS® continues to support providing quality, affordable health care options to its members through AHPs. Pending the decision of the courts, we will work to preserve the ability of associations to offer health care plans to members and make any further legislative changes, if needed.

## PROPERTY AND CASUALTY INSURANCE

### *Background*

Property and casualty insurance have become increasingly more expensive and more difficult to obtain. Homeowners' insurance is a prudent choice to protect a property owners' investment. It is also a necessary component of securing a mortgage and, in most instances, to buy a home. Very high insurance rates make housing less affordable.

In North Carolina, property insurance rates are set by through a system in which the Rate Bureau, a consortium of insurance providers, negotiate with the NC Insurance Commissioner. The Rate Bureau has traditionally requested significant increases in the price of homeowners' insurance.

NC REALTORS® support efforts to increase insurance availability and affordability that guarantee fair and equitable rates in the open market.

NC REALTORS® supports the state's Coastal Property Insurance Pool (formerly known as the Beach Plan) and FAIR Plan as mechanisms to provide "last mile" coverage to those who live in high-risk areas of our state.

While the current Rate Bureau system is in place, NC REALTORS® believes the rate making process should be transparent and allow for public involvement.

## PROPERTY OWNERS RIGHTS

### *Background*

A free market economy cannot operate without property owners' rights being secure. Businesses must be able to buy and sell property to efficiently and effectively operate. Investment won't be made if property ownership is not protected. Freedom to utilize property must be guaranteed to ensure highest and best use. In short, without private ownership of property, all the benefits of a free market economy will not accrue to a community or nation.

Individuals and families also need the right to own and use property for its benefits. Wealth and security accrue from property ownership. A good quality of life relies on being able to use one's property as one sees fit.

Finally, a free society and other personal freedoms also depend on property ownership rights. The right to free speech requires use of property as outlets for expression.



The right to freedom of religion requires use of property for services. Property owners' rights are a fundamental building block of the American democratic system and our nation's economic success.

## CONSTITUTIONAL RIGHT TO PRIVATE PROPERTY

### *Background*

The Fifth Amendment of the U.S. Constitution guarantees that private property shall not be taken for public use "without just compensation." However, Supreme Court decisions have limited that protection, defining a 'taking' in restricting any use of the property. Thus, many regulations restrict what can be done with and on property, at times severely limiting use. That not only curtails freedom, it reduces property values. Such regulations range from environmental restrictions to oppressive zoning ordinances.

Policy

NC REALTORS® supports property owner's rights legislation that balances the freedom to use property against the regulatory need being addressed. We also believe that compensation is due to property owners whenever use of property is meaningfully diminished.

## EMINENT DOMAIN

### *Background*

Eminent Domain is the process by which government may take private property with proper compensation, but without the owner's consent. The Fifth Amendment gives the government eminent domain power if a property is taken for "public use" and "just compensation" is paid to the owner. However, the Supreme Court expanded the definition of "public use" to include the taking of property for a private owner if there is benefit to the community at large. Similarly, if the property is "blighted," the government can claim eminent domain over a property for economic development purposes.

Policies:

NC REALTORS® only support the use of eminent domain authority when the condemned property is taken for a public use to be owned by a public entity.

NC REALTORS® believe "just compensation" should include all reasonable and necessary costs associated with the exercise of eminent domain authority, not just the value of the property.



## REAL ESTATE INDUSTRY

### REAL ESTATE AS AN ECONOMIC ENGINE

#### *Background*

Real estate is one of the largest industries in North Carolina. It is ingrained in every community. It is involved in every part of the economy. It directly employs hundreds of thousands of North Carolinians and indirectly many times more than that. The radiating economic impact of home sales generates hundreds of millions of dollars of sales. The tax revenues from those sales, the real property itself and income taxes from employees benefiting from real estate supports most of local government operations and contributes significantly to state budgets. Promoting and protecting a healthy real estate market and industry should be a primary objective for policy makers at all levels of government.

#### *Policies*

NC REALTORS® supports a growing real estate industry.

NC REALTORS® opposes all legislation and regulation that jeopardizes or impedes the vibrancy of the real estate industry in North Carolina.

NC REALTORS® opposes unreasonable and unaffordable taxation of real property. Property taxes decrease property values and contribute to housing affordability issues. They are a drag on the real estate economy.

### APPOINTMENTS TO REGULATORY BODIES

#### *Background*

Many regulatory bodies pass rules that significantly impact the real estate industry. Some of these agencies have requirements for REALTOR® representation but many do not. Ensuring the real estate industry perspective is part of the deliberations will result in better rules.

#### *Policies*

NC REALTORS® supports legislation requiring REALTOR® representation on regulatory agencies that affect the real estate industry.

NC REALTORS® will encourage government leaders to appoint REALTORS® to boards and commissions whenever possible.



## LICENSE RECIPROCITY/PORTABILITY

### *Background*

It is important for consumer protection that real estate licensees be familiar with North Carolina's laws governing the sale and rent of property. It is also important that experienced licensees from other states who move to North Carolina can continue to have access to their profession as long as they develop proficiency in North Carolina regulations. In addition, many North Carolina REALTORS® who live near state borders desire to work in adjoining states.

### *Policy*

NC REALTORS® values the education and experience of REALTORS® who relocate to North Carolina while still requiring North Carolina specific education to practice real estate here.

## REAL ESTATE EDUCATION

### *Background*

Education has embraced technology and digital delivery. Having access to virtual classes helps many prospective licensees and current REALTORS® get the education they need without having to take the time and expense of traveling to locations where in person classes are being held.

### *Policy*

NC REALTORS® supports the North Carolina Real Estate Commission's efforts to modernize our education structures to allow synchronous distance courses to meet all needs.

## COMMERCIAL BROKER LIEN ACT

### *Background*

Commercial REALTORS® have increasingly encountered situations where they have performed services for clients under valid brokerage contracts but do not receive the agreed upon commission for duties performed at closing. When this occurs, the only remedy available to the broker is a costly and time-consuming legal suit. Commercial practitioners are vulnerable to this injury because, unlike residential real estate, most commercial transactions do not take place with MLS systems, which offer cooperative compensation agreements to members.

### *Policies*

NC REALTORS® believes REALTORS® who engage in commercial brokerage services deserve agreed upon payment for services rendered.

NC REALTORS® supports current law giving real estate brokers the right to place a lien on commercial property when they do not receive their full commission for services rendered.



## ESSENTIAL BUSINESSES

### *Background*

Emergency powers granted to North Carolina state and local governments allow for the suspension of business activities during an emergency. Often, businesses deemed essential to the public's health and wellbeing, or to the necessary economic activity, are designated as "essential businesses," exempting them from the restrictions in the emergency orders.

Individuals often need to have access to the equity in their property, especially in times of crisis. They also need to be able to move for personal or employment reasons. Some businesses must be able to acquire or dispense with property to continue to operate. Real estate brokerage is required to facilitate all those needs.

Continuation of property management services are vital to the operation of residential and commercial properties. During crisis the property managers still have a fiduciary duty to their landlords and the tenants to facilitate such operations.

### *Policy*

NC REALTORS® believes real estate brokerage is an essential business and should be allowed to operate, if can be done in a safe manner, during an emergency.

NC REALTORS® believes property management is an essential business and should be allowed to operate, if can be done in a safe manner, during an emergency.

## INTERCONNECTIVITY OF COURTS AND REGISTERS OF DEEDS

### *Background*

Our state's court system and Registers of Deeds have not been able to make all necessary investment in technology to complete connectivity and online access in all communities. Under normal circumstances, this lack of technology is an impediment to accessing both of these systems. However, during times of crisis, the inability to remotely access these vital services can have crippling effects on the real estate industry.

### *Policies*

NC REALTORS® supports financial grants or appropriations to develop and deploy infrastructure to provide digital connections between all the state's courts.

NC REALTORS® supports financial grants or appropriations to ensure all 100 county Registers of Deeds can have electronic closing platforms as well as provide historical record review online access.





## REMOTE ONLINE NOTARY (RON)

### *Background*

North Carolina has historically relied on wet-signature notarizations, meaning that all parties must be in person for a notarization to be completed. That requirement was supplemented with emergency notarizations allowed during the COVID crisis to facilitate online closings. However, the legislation allowing a temporary system will expire in March 2021.

### *Policy*

NC REALTORS® supports a permanent RON process in North Carolina.

## REAL ESTATE AGENT INDEPENDENT CONTRACTOR STATUS

### *Background*

Most real estate licensees operate as Independent Contractors. While they choose to be affiliated with brokerage firms, they retain the right to build their business and work based on their own schedules, desires, and needs. Flexibility and variety are key benefits that attract individuals to the real estate profession.

While most REALTORS® meet the IRS definition as in Independent Contractor, alleviating costs associated with employer/employee relationships, the North Carolina Industrial Commission ruled that a real estate agent is an “employee” under their definition and therefore is required to have workers’ compensation coverage. Some states are challenging the independent contractor status of REALTORS® in general.

### *Policy*

NC REALTORS® supports legislation that would allow real estate agents to serve as independent contractors and eliminate any requirement to have workers’ compensation insurance.

## TAXES AND FEES

### *Background*

Given how vast and varied the real estate industry is, there are many taxation issues which impact the industry, REALTORS®, and property owners.



### *Policy*

In general, NC REALTORS® strongly supports efforts by local and state government officials to reduce the tax burden of the citizens of North Carolina. We believe in sound fiscal management in the form of expenditure controls coupled with selective tax reform. That will alleviate the need to increase taxation of North Carolinians and property owners.

## PROPERTY TAXES

### *Background*

North Carolina property owners contribute significantly to the tax base of the state. Property taxes contribute more than half of the revenue of local government in North Carolina. Unreasonable and unaffordable property taxes unfairly burden property owners and increase housing unaffordability.

### *Policy*

NC REALTORS® believes that taxes should be shared broadly. One segment of industry, business, or property owners should not be saddled with a disproportionate share of the tax burden. We believe state and local officials should find alternatives to property tax increases or other real estate related taxes.

## HISTORIC TAX CREDITS

### *Background*

The Historic Preservation Tax Credit program is essential to ensuring that our state's historic properties are preserved and restored to their former glory for valuable use. These credits help restore downtowns and rural areas, helping to revitalize communities by generating economic development and tourism, bringing people to our state. The program currently provides only short-term funding, creating uncertainty and hurting long range planning.

### *Policies*

NC REALTORS® supports the continuation of historic preservation and restoration by eliminating the sunset of the Historic Preservation Tax Credit program.

NC REALTORS® supports expanding the Historic Preservation Tax Credit program to include residential properties which will allow communities to preserve their beauty and history.



## IMPACT FEES AND TAXES

### *Background*

Often local governments require developers to pay for capital improvements that are not directly related to the new development through impact fees. Sometimes, those fees will make development projects unfeasible, or force changes that limit the project's scope. Additionally, builders pass the cost of impact fees to buyers, increasing the cost of housing.

### *Policies*

NC REALTORS® believes it is unfair to tax one segment of the community to pay for services or infrastructure that benefits the entire community. That cost should be borne by all.

NC REALTORS® believes limiting impact fees and taxes helps keep housing affordable.

ISSUE: Impact fees and taxes are charged on new development and are imposed by a local government to pay for the costs of providing public services to the new development. Impact fees and taxes are charges on new development to pay for the construction or expansion of offsite capital improvements.

POSITION: NC REALTORS® opposes impact fees and impact taxes.

## LIKE-KIND EXCHANGES - IRS CODE §1031

### *Background*

Current law allows a real estate investor to defer capital gains taxes by exchanging one investment property for another property of like kind, as long as the exchange adheres to certain requirements. This incentivizes reinvestment in the community. Tax reform proposals often target eliminating this program.

### *Policy*

NC REALTORS® supports including like kind exchanges in the North Carolina tax code to promote real estate investment in our state.

## LAND TRANSFER TAXES

### *Background*

A real estate transfer tax acts a sales tax on property when it transfers ownership. Real estate is already taxed annual through ad valorem property taxes. Thus, transfer taxes act as double taxation on property. Transfer taxes also increase the cost of purchasing a home, adding to housing unaffordability.



They also unfairly single out one segment of a community. Transfer taxes are not allowed in North Carolina except a small number of communities which were grandfathered in after this taxation authority was repealed by the legislature.

*Policy*

NC REALTORS® opposes any land transfer tax.

## MORTGAGE INTEREST AND PROPERTY TAX DEDUCTION

*Background*

In 2013, the General Assembly decoupled the mortgage interest and property tax deduction (MID and PTD) from the federal tax status and capped it at \$20,000. There is still a push for the complete elimination of the deduction from the General Assembly. The MID and PTD encourage the investment in and promotion of homeownership, with all its attendant benefits.

*Policy*

NC REALTORS® supports restoring the mortgage interest and tax deduction. Short of that, the current cap should be preserved and be indexed to rising interest rates, local taxes, and home values.

## REAL PROPERTY TAXES

*Background*

Increasing property taxes reduces the affordability of homeownership, causing a hardship for the increasing numbers of older citizens on fixed incomes, keeping first time homebuyers out of the market, and lessening the attractiveness of an area to new businesses. It is unfair for owners of real estate to bear a disproportionate share of the tax load when non-owners and daily visitors also use county services. All too often, when local governments have budget shortfalls, they turn to property tax increases.

*Policy*

NC REALTORS® believes governments should look to cut cost through fiscally responsible management before considering any tax increase. When tax increases are required, governments should take a balanced approach of considering income, property and sales taxes.



## SALES TAX ON SERVICES

### *Background*

North Carolina sales and use taxes are imposed on the retail sale of tangible personal property. North Carolina traditionally has imposed sales or use tax on a limited number of services.

Those services include accommodation rentals, laundry and dry-cleaning services (receipts for coin-operated machines are exempt), funeral services, direct-to-home satellite service and telecommunications service.

Some states impose sales taxes on real estate services. They can include brokerage commissions and legal and other transactional services. Those taxes add to the cost of property transfers and create reporting and remittance burdens on independent contractors and small businesses.

### *Policy*

NC REALTORS® opposes expanding the state sales tax to include real estate related services.

