

# THE CAPITOL INSIDER

Arizona Association of REALTORS®

Weekly REALTOR® Legislative Connection

June 12, 2009

Volume 1, Issue IV

*The Insider is devoted to bringing you cutting edge information on legislative issues effecting your industry*

## DO NO HARM TO THE HOUSING MARKET

In light of state budget shortfalls in the multimillion and billion dollar ranges, most states are considering sales tax increases on everything from bottled water to cellphone ring tones to online commerce. Arizona also is considering a sales-tax hike in order to increase the amount of revenue flowing into state coffers.

One idea included in the proposed Democratic budget plan is cutting the sales-tax rate from 5.6 to 3.4 percent but expanding the sales tax base to include services which have previously been exempt. Which could mean services such as real estate services – REALTORS®, home inspectors, termite inspectors, title companies, etc.

The Democratic budget gives a few examples of services that would be added to the tax rolls as well as which ones would possibly be exempt but no clear picture of how many services would be involved or the possible economic impact to those small businesses. There is absolutely no consideration as to how this proposal would impact these businesses whose costs will be artificially raised plus the monthly burden of reporting sales tax receipts to the state and municipalities in which they do business.

If a tax on services is adopted, it will have a dramatically negative impact and would further threaten our struggling economy.

Increasing business taxes along with the regulatory monthly reporting burden will increase costs for goods and services, will impede businesses' ability to weather the current economic environment and retain their workforce, which may be themselves – all slowing any potential economic recovery in the state.

A stable housing market and increased revenue from this market sector is necessary for an economic recovery. The state must "do no harm" to the housing market as it seeks stability through increased taxes or regulation.

A sales tax on services would add thousands of dollars to the closing costs of buying a home. The increased costs associated with buying a home because of new taxes on real estate services would price some out of homeownership at the worst and force many to choose a smaller house because of these new taxes.

Additionally, the increased cost of doing business would further hurt the state's economy during these uncertain times as a new tax on services would burden, rather than encourage, new business.

It also adds to the cost of doing business for consumers as the costs will be passed on to them, the end user.

Arizona needs to develop a climate that encourages business and entrepreneurship, not one that puts roadblocks like a service tax in their way.

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