



WHY MAR NEEDS A LEGAL AND REGULATORY RESPONSE FUND

- There is an alarming, rapidly growing national trend to viewing real estate, real estate commissions, and the transfer of real property as an ideal revenue source as budget deficits increase.
- In Maryland, a structural deficit estimated at \$7.85 billion over the next 5 years has dominated discussions in the legislature.
- At the heart of the deficit are mandatory spending increases, including Thornton- mandated education spending, Medicaid and teacher pensions, projected to significantly outpace projected revenue increases, as well as a transportation deficit over the next 20 years, projected at billions of dollars, to fund projects such as the Inter County Connector and general infrastructure expansion.
- Even a slots bill will not generate adequate income to cover the annual \$1 billion+ deficit that Maryland faces.
- In the 2007 General Assembly, a proposal to tax real estate commissions earned on property management has been considered a “trial balloon” for a far reaching tax on services bill, to include all real estate commissions, that is likely to be under consideration. Many, including legislators, expect that there will be a special session of the legislature, in the summer or autumn, devoted entirely to measures to balance the budget.
- In other states, these challenges have forced REALTORS® to be prepared to wage often costly fights to protect the interest of members, the real estate industry and property owners. Three examples:
 - In Arizona, the state was about to propose a state transfer tax. At a meeting of its Board of Directors, the Arizona Association of REALTORS® (AAR) passed a special dues increase of \$50 to create a “war chest” to fight the proposal. When news of the special fund was announced, the proposal was dropped. To date, AAR has accumulated \$10 million in its fund, but has not found it necessary to use the monies. AAR is regularly consulted before any proposal affecting real estate is considered.
 - In Maine, the association faced a statewide referendum that would create an open MLS, lawsuits against two state agencies regarding regulations adversely affecting real estate, and a proposal to eliminate independent contractor status. The Maine association found that its \$200,000 war chest, a sizeable amount for a state of 5,000 REALTORS®, was inadequate to fund the necessary statewide campaign against the referendum and the lawsuits filed against the regulations. It

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raised half the expected cost of \$2 million to fight the MLS issue through a \$200 special assessment, and hopes to qualify for matching NAR funds. Although the referendum did not obtain the required number of signatures, it is expected to be refiled.

- In Washington, the state association has undertaken campaigns to fight an increase in the state real estate excise tax and a campaign for housing affordability. It has funded its ongoing Issues Campaigns with a combination of a special assessment followed by a dues increase.
- These states used special assessments, dues increases, or a combination, to wage public campaigns on their issues.
- NAR's Issues Mobilization Fund, which decides whether to match state and local REALTOR® organization funding of such efforts, has already exceeded its 2007 budget, reflecting the extraordinary number and size of requests it has received. The predominant issues are transfer taxes and taxes on real estate commissions.
- These issues reflect a growing trend across the country that focuses on real estate and income derived from real estate as a source for needed revenue.
- Additionally, as advocates for no growth and causes such as open MLS take their campaigns public, the issues are increasing being debated in public media rather than in traditional legislative or regulatory arenas.
- A recent survey of 32 REALTOR® state associations found that 25 have a special fund to support issues oriented campaigns. Of those, 17 fund through an annual dues assessment; the remainder use a special assessment, reserves or other means (including voluntary contributions).