# MEMORANDUM

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**DATE:** January 6, 2020

**TO:** Assembly Finance Committee

**FROM:** Jeff Rogers, Finance Director

**SUBJECT:** Mandatory Disclosure of Real Estate Transactions

Background

At an Assembly Finance Committee meeting on December 4, 2019, Chair Jones requested that staff research the concept of mandatory disclosure of the sales price of real estate transactions. The State of Alaska does not require mandatory disclosure of the sales price real estate transactions, but it does not restrict or preclude home rule municipalities from an ordinance requiring mandatory disclosure.

Several documents discussing mandatory real estate disclosure are attached. The Alaska Legislative Research Report from 2014 highlights much of the factual information available. As of 2014, at least 39 states and the District of Columbia required mandatory public disclosure of the sales price of real estate transactions. Only six states (Alaska, Idaho, Louisiana, Mississippi, Texas, and Utah) are fully non-disclosure. Five states (Kansas, Missouri, Montana, New Mexico, and Wyoming) have limited disclosure in which prices are required to be reported to government entities, but those prices are not made public.

Generally, government Assessors and their professional associations endorse mandatory disclosure of the sales prices of real estate transactions. In email correspondence, the Alaska State Assessor, Marty McGee commented, “Sales disclosure laws provide assessors, the public, and the office of the State Assessor with the access to reliable information on the sales prices of real and personal property, throughout the entire spectrum of the market. Clearly, this is a substantial benefit to local assessors in the efficient and economical performance of their duties, to the public in having adequate data to formulate an appeal, and for the Office of the State Assessor (OSA) in the Full Value Determination equalization process.”

Conversely, real estate industry professionals generally oppose mandatory disclosure. The attached position from the Texas REALTORs is representative of that opposition and it notes that “sales price is not necessary a good indicator of taxable value” and “it’s an invasion of privacy.”

Discussion

The position from the Texas REALTORs notes that property taxes would increase as a result of mandatory disclosure. The only reason that assessed values would increase as a result of mandatory disclosure is that properties are presently under-valued because of non-disclosure. Such under-valuing of certain properties likely results in inequitable assessments. Lack of information available to the Assessor inevitably results in variable accuracy/equity of assessed values.

The Assessor may under-value or over-value properties in the absence of good sales data, but it is far more likely that lack of information leads to under-valuation. As noted in several of the attachments, buyers more frequently report sale prices voluntarily to the Assessor for lower value residential properties, and they report prices for higher value residential and commercial properties less frequently. Also, buyers are more likely to report their purchase price when it is lower than the current assessment and less likely to report their purchase price when it is higher than the current assessment. These two factors may result in higher price properties being under-valued relative to lower price properties. If higher priced properties are under-valued, relative to lower priced properties, then the owners of those higher priced properties are not paying their fair of property taxes in comparison to the owners of lower priced properties. In the lengthy attachment from the *St Mary's Law Journal* regarding Texas's non-disclosure law, Nathan Morey writes, "taxpayers are hit with unequal appraisals when their homes are valued at close to one hundred percent of their actual value, while commercial and high-end residential properties are valued at a much lower percentage." He goes on to write, "The taxpayer who lives in a mansion benefits from the local police department that patrols his street and the fire department that protects his house. The taxpayer who owns a commercial or industrial site also benefits from the public schools that prepare his future workforce for employment. Yet these property owners are paying much lower percentages of their property's market value in taxes than their middle-class residential neighbors."

## Conclusion

Mandatory disclosure increases the amount of information available to the Assessor and the general public, and increased information certainly leads to more accurate—hence more equitable—property assessments. That said, concerns about privacy should also be considered. In weighing the balance between equitability and privacy, the vast majority of jurisdictions in the United States have opted for mandatory disclosure of sales prices in real estate transactions.

## Recommendation

I recommend that the Assembly Finance Committee direct staff to draft an ordinance requiring mandatory disclosure of the sales price of real estate transactions for further consideration by the Assembly Finance Committee and the public at-large.