

**Under all is the land. Upon its wise utilization and widely allocated ownership depend 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.**

## **Kentucky Association of REALTORS® Legislative Policy**

### Guiding Philosophy

The Kentucky Association of REALTORS® has faithfully represented the interests of the nearly 10,000 real estate professionals and over 1.1 million homeowners in Kentucky for the last 90 years. In conjunction with other organizations involved in the construction, development, housing and real estate industries, the association seeks to increase economic prosperity and quality of life through increased housing opportunities for Kentucky families and a thriving investment environment for commercial real estate.

We strongly believe that REALTORS® have an important role to play in every community dealing with the challenges associated with increasing economic growth and quality of life that are important to creating and maintaining vibrant, growing communities. In the context of these challenges, we believe that homeownership and investment in commercial real estate positively impact neighborhoods, communities and the overall vibrancy and stability of the Kentucky economy.

Having pledged to abide by the REALTOR® Code of Ethics, REALTORS® offer the benefits of their experience and technical expertise to the general public and government in community development discussions. As an organization and an industry, we are dedicated to working with elected officials to create better communities by supporting new economic growth opportunities and creating new housing opportunities, while vigorously protecting the rights of private property owners.

### Homeownership

REALTORS® believe that the private ownership of real property is the foundation of our nation's free enterprise system and we adamantly oppose any governmental actions that discourage or diminish the ability and capacity of Kentucky citizens to own private property. Homeownership is the cornerstone of the American Dream and deserves a preferred place in our system of values as it contributes to community responsibility; business, civic, and economic stability; family security and quality of life.

The Kentucky Association of REALTORS®, through its members, will continue to commit ourselves to helping every single citizen who so desires to realize the American Dream of homeownership.

### Economic Development, Growth and Land Use

Economic growth and development is critical to the long-term health and vibrancy of Kentucky. REALTORS® believe in the fundamental right of all private property owners working through local governments to determine the highest and best use of their land. REALTORS® also believe that local governments should allow the availability of access to public records without charging excessive fees. Further, we maintain that every citizen should have the right to acquire real property with the confidence and certainty that the value of such property will not be unreasonably diminished by governmental action at any level without just compensation or the owner's express consent.

Accordingly, we are opposed to any unreasonable restrictions and radical changes in existing zoning laws where such actions significantly undermine the market value and utility of private property or the reasonable expectations of property owners. Any unreasonable restrictions on land use decrease the investment value of real estate and significantly undermine economic growth opportunities.

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REALTORS® believe in reasonable community growth and maintain that no-growth policies, building moratoriums and other burdensome regulations by governmental bodies are not satisfactory responses to community development issues. We support community planning objectives and believe that the real estate community should be involved in composing such objectives.

Most importantly, REALTORS® believe it is the free market and individual choice that drives the amount and type of development and growth in a community. While we recognize the difficulty in maintaining the quality of communities through preservation of space and control of congestion, market forces should be the primary engine behind controlling economic and community growth.

Although the intent of growth management may be to improve the quality of life, unreasonable growth restraints can thwart economic development as well as artificially increase the cost of residential and commercial real estate to unaffordable and economically inefficient levels. Accordingly, REALTORS® strongly oppose all unreasonable and overly broad restraints on growth and development.

### Quality of Life

REALTORS® believe that efforts to ensure quality communities must go beyond simply limiting or prescribing the manner of growth and development. Communities must actively consider other efforts that will provide citizens with a high quality of life. A high quality of life includes a strong system of public education, adequate transportation infrastructure, access to affordable health care and adequate provisions for public safety.

As REALTORS®, we realize the importance of quality public schools to the local real estate market. The quality of education in our schools has proven to be a driving force in the growth or demise of our residential and business communities. It is these communities, not merely the homes within them, which are bought and sold. As such, REALTORS® support responsible funding for public schools.

### Taxation

As citizens, REALTORS® realize the importance that many government programs play in creating a prosperous economic environment and quality of life for Kentucky citizens. However, we join other citizens who have a continuing concern with the increasing cost of government programs and the overlapping of services and associated increase in costs among the local, state and federal government. Accordingly, we urge local and state governments to take immediate steps to eliminate redundant and duplicative programs and services, eliminate wasteful spending on unnecessary items and reduce the increasing burden of state and local taxation.

### Property Taxes

REALTORS® believe that real estate should not be burdened with an excessive share of the constantly increasing cost of state and local government. While we realize the importance of many programs funded through property tax revenues, we believe tax revenues should be equitably collected from a variety of sources and encourage taxing jurisdictions to consider the negative impact to the housing market associated with any potential increase in property tax rates.

### Real Estate Transfer Taxes

REALTORS® believe that an increase of real estate transfer taxes and fees could be a major burden to both buyers and sellers of real property and could be detrimental to the overall housing market and economic vitality of areas in which they are imposed. Additionally, real estate transfer taxes are regressively burdensome to low income households, discriminatorily levied on one particular class of assets and are a volatile stream of revenue to governing jurisdictions.

Accordingly, REALTORS® oppose the increase of real estate transfer taxes. The imposition of an increase to real estate transfer tax would result in an immediate destabilization of the real estate market through a drastic reduction in home sales and housing prices. This destabilization of the real estate market would cause a ripple effect on communities through commensurate reductions in economic growth.

#### Excise Taxes/Impact Fees

REALTORS® believe impact fees and excise taxes should not hamper or deter development in our communities. We urge state and local governments to limit the use of any such fees to providing those public capital improvements that are absolutely necessitated by new development. Impact fees must be reasonably based upon the actual cost of the service upon which the fee is assessed and should be proportionate to the infrastructure and services directly related to the specific development.

Accordingly, impact fees and excise taxes should not be used to subsidize other programs and services that have no connection to the fee being imposed. The imposition of any fees should be accompanied by ordinances that define the level of service to be provided in exchange for such fees. Recognizing a desire on the part of local governments to provide services in a cost-effective manner and utilize existing infrastructure, attempts to steer development to certain areas of the community must not infringe upon private property rights.

#### Sales Taxes on Services

Increasingly, tax reform has been a priority topic of discussion among Kentucky legislators and other government officials and included in that discussion is Sales Tax on Services. REALTORS® believe that instituting a tax on economic activity is equivalent to raising the price of the good or service and thus the demand for this good or service is reduced. Sales Tax on Services would be costly for REALTORS® and homeowners and is likely to reduce the demand for housing in Kentucky.

Accordingly, increased costs would further hurt the state of the Commonwealth's economy. The economic impact does not end with the impact on home sales. Because of the tendency of homebuyers to purchase additional goods and services such as furniture and home improvement, the housing industry has an effect on other industries.

The impact in Kentucky could be 3,105 fewer home purchases each year with a total economic impact of \$651 million over 10 years. Kentucky currently has a higher home ownership rate – 71.2 percent – than the US average – 67.4% (est. 2010). With an estimated 1.7 million occupied housing units in 2008, this translates to nearly 1.2 million homeowners. Whether Kentucky remains a leader in home ownership depends on the choices of policy makers.

#### Availability and Affordability of Insurance

REALTORS® believe that all individuals should have access to adequate and affordable insurance for their property and businesses. We believe that government has a key role to play in the regulation of the insurance industry, and must keep the interest of the consumer as well as the insurance industry in mind when deciding on regulatory issues affecting the insurance marketplace.

#### Energy Conservation

REALTORS® encourage the owners of residential, commercial and industrial properties to investigate those methods of energy conservation and efficiency that are economically feasible over the life cycle of the property. We oppose any attempts to impose mandatory energy efficiency requirements on newly constructed and existing residential, commercial and industrial properties through governmental action.

Under the free enterprise system, we encourage the market to develop cost-effective, voluntary energy conservation and efficiency measures to help owners make their property more efficient. Towards this end, Kentucky Association of REALTORS® Legislative Policy - 2011

government should provide meaningful incentives to businesses and property owners to adopt energy conservation and efficiency measures in their properties.

### Environmental

REALTORS® believe a healthy environment is critical to sustaining the high quality of life in Kentucky. The effects of pollutants (mold, radon, asbestos, etc.) in the water, air, and surface areas in a home can be a serious threat. REALTORS® believe in developing practical solutions which provide environmental benefits without damaging the Commonwealth's economy.

### Mortgage Finance

Recognizing the importance of private property ownership and the real estate market to economic growth, REALTORS® support the continuation and enhancement of governmental institutions that provide for increased mortgage financing availability for residential and commercial property. Accordingly, we believe in alternative financing, including seller financing without unreasonable government restrictions. We encourage the government and private sector to continue to explore and develop financially sound financing products that make it possible for more citizens to realize the dream of property ownership.

### Rental Housing

REALTORS® believe that the Kentucky Landlord Tenant Act is an effective statute that fairly balances the rights and responsibilities of landlords and tenants. We continue to believe that the statute is well-written and oppose any attempts to modify the statute by the Kentucky Legislature.

REALTORS® oppose ever-increasing local regulation of the rental housing industry, such as tenant participation in management decisions. In addition, we oppose local rent control ordinances that prevent rents from keeping pace with operating expenses and discourage investment in real estate.

### Real Estate Licensing and Regulation

In conjunction with the vigilant enforcement of the REALTOR® Code of Ethics, REALTORS® are acutely aware of the importance and necessity of the continued licensure and regulation of the real estate industry by the Kentucky Real Estate Commission. At all times, REALTORS® strive to protect the interests of the public by maintaining and perpetuating a high level of competence for those individuals entering and continuing to practice in the real estate industry. Toward this end, we also recognize the importance of protecting the public by opposing legislation designed to circumvent the licensure and regulation of the real estate industry.

### Organization of the Kentucky Real Estate Commission

REALTORS® believe it is important to maintain a cooperative and positive working relationship with the Kentucky Real Estate Commission. In upholding our commitment to active involvement in licensee regulations, the association will provide the names of qualified members for the Governor to consider when making appointments to the Kentucky Real Estate Commission. In order to preserve the effectiveness and responsiveness of the Commission, we oppose the taking of licensee monies for general fund use and we oppose placing the licensure and regulation of the real estate industry under the control and direction of any other occupational licensing agency.

### Independent Contractor

REALTORS® oppose any efforts to change current state and federal laws regarding the independent contractor status of real estate licensees, which would be detrimental to REALTORS® and would bring our state laws into conflict with federal legislation in the areas of workers' compensation, income tax withholding, unemployment compensation, and social security.

## Occupational Licensing and Taxation

The REALTORS® believe government efficiency is important to continue good business in the Commonwealth of Kentucky. The licensing, registration and payment of occupational taxes is important and this is why the REALTORS® support a state wide, web-based system for the centralized reporting and collection of local and state occupational license taxes and fees.

## Appraisals

The appraisal of real property is important in any real estate transaction as well as the professional relationship between the REALTOR® and appraiser.

REALTORS® supported the regulation of Appraisal Management Companies in the Commonwealth of Kentucky which required greater accountability, responsibility and transparency on third-party brokers of appraisal services. Accordingly, we favor appraisers performing appraisals in areas they are geographically competent.

## Auctions

Real Estate is one of the fastest growing auction areas and offers clients and customers new selling and purchasing options that exposes properties to many potential purchasers.

REALTORS® add value to the real estate transaction with their expertise in managing complex real estate transactions, and auctions are no exception. REALTORS® work with both buyers and sellers in auction sales. Accordingly, REALTORS® support the licensing of auctioneers and believe auctions contribute to the advancement of the real estate industry.

## Commercial/Industrial

Commercial real estate is essential to this economy and the operation of businesses. Commercial property includes a wide variety types, such as office buildings, retail space and industrial facilities. There are different rules that apply to commercial versus residential real estate.

REALTORS® believe that having a sound and well-functioning commercial and multi-family real estate sector is critical to the operations of many Kentucky businesses of all sizes and we oppose a sales tax on the lease and/or rental of commercial property.

## Political Involvement

Recognizing that there is a real threat to the free enterprise system in this country, REALTORS® believe in the need for continuing participation in local, state and national political affairs and urge aggressive support of those candidates who pledge and evidence by their actions a commitment to preserve and strengthen America's free enterprise system and the underlying principle of private property ownership.

REALTORS® are sophisticated in the understanding of our political system and urge members to become involved and participate in political activity at all levels of government. All members should offer their personal support to candidates who are committed to the free enterprise system, the protection of private property rights and the promotion of a high quality of life for the citizens of the state of Kentucky.

REALTORS® oppose the public financing of political campaigns. Public financing will inevitably lead to the elimination of private contributions to candidates for public office and will restrict freedom of speech.

REALTORS® believe that any attempt to reduce the participation of voluntary political action committees in elections would undermine our basic political freedom. Candidates should be encouraged to seek support from many diverse sectors of the electorate to ensure diverse representation.