**Fiscal Facts: In Hot Housing Market, Real Estate Transfer Revenues Near All-Time High**

Revenues from fees on transfers of real estate in Wisconsin increased 37% in fiscal year 2021, the largest annual increase in nearly four decades. This was driven by robust increases in real estate sales and residential property values during the COVID-19 pandemic.

Wisconsin, like most other states, collects a fee on real estate transfers, most of which are sales. In Wisconsin the fee is $3 for every $1,000 of real estate property being transferred. The fee is collected at the county level and revenue proceeds are split between the state’s general fund, which receives 80%, and the county, which receives 20%.

The increase in the fiscal year ending June 30 brought fee revenues to rival those during the housing boom of 2005-06—and projections show they could reach an all-time high in the current fiscal year.

Wisconsin Department of Revenue data show the volume of real estate transfers and other information, such as property values, by calendar year from 2016-21. They show the calendar 2021 increase in real estate transfers was statewide, with all but one county seeing growth.

Soaring real estate values, especially residential values, also played a key role in the revenue increase. This trend predated the pandemic but has accelerated during it. The median value of (1-2-3-unit) residential properties transferred in Wisconsin increased from $126,500 in calendar 2016 to $170,000 in 2021 (34.4%). More than half of this increase came in 2020 and 2021.

While these increases were broadly shared, they were particularly robust in the state’s largest counties. Nineteen counties saw values increase more rapidly than the state average over the five-year, two-year, and one-year period leading up to 2021. These include seven of the state’s 10 most populous counties: Milwaukee, Dane, Brown, Outagamie, Winnebago, Kenosha, and Rock. It also includes exurban counties such as Jefferson and St. Croix; counties where tourism plays a key role in the local real estate market, such as Sauk and Walworth; and a few rural counties.

Meanwhile, all of Wisconsin’s 100 largest municipalities saw an increase of at least 20% in median values from 2016 to 2021. Three of the six municipalities that saw the largest percentage increases during this period were among those with the lowest median property values – Beloit, Racine, and Milwaukee – with the latter two seeing increases of more than 60%.

Factors that influenced the real estate market in 2021 were mortgage interest rates hitting all-time lows, strong demand from millennials reaching home-buying age, and a limited supply of homes causing values to increase, according to a report from the Wisconsin Realtors Association.

The revenue increase comes at a time of state fiscal strength, while local governments are far more fiscally constrained. State policymakers may opt to consider real estate transfer fees among a list of potential local revenue options to support vital services.

Meanwhile, a red-hot housing market is affecting housing affordability in Wisconsin. A failure to address it with policy responses may result in more Wisconsinites struggling to afford housing — at a time when other household expenses continue to rise.

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