



Oak Park's Real Estate Transfer Tax and Housing Mobility

Executive Summary

A transfer tax is a tax that is levied on the transfer of real estate from one individual to another and is a cost that is added on at the time of closing. Including Oak Park, there are currently seventy communities throughout Chicagoland that have enacted a municipal transfer tax on real estate transactions. Oak Park's transfer tax rate is one of the highest enacted at \$8 per \$1,000. For reference, only three other communities have a transfer tax rate that's higher than Oak Park's. As a result, Oak Park's transfer taxes can account for between 20 – 50% of the total closing costs on a home. This is money that can be used on a downpayment to reduce a buyer's base payments. Oak Park's transfer tax rate, coupled with high interest rates, has also created an environment where homeowners "lock-in" refusing to sell or consider buying. This has created a disruption in the housing life cycle, creating a barrier to mobility. To encourage development and to activate Oak Park's existing housing stock, Oak Park should credit back its municipal transfer tax to sellers who choose to remain in the community.

Disastrous Effects of High Transfer Taxes

- 1. Reduced buying power and equity.** High transfer taxes reduce the buying power of the property owner by chipping away at the accrued equity. Transfer taxes are inherently regressive, which can disproportionately affect low income and first-time homebuyers. The prohibitive cost of high transfer taxes further eats into their savings, leaving many not only unable to afford a home but also unable to afford emergencies. Furthermore, reduced equity prevents established homebuyers from moving into a home that better fits their needs.
- 2. Suppressed development and housing mobility.** A high transfer tax rate drives investors and developers to seek opportunities in other communities. Consequently, this lack of new housing development negatively impacts families who wish to stay within their community but struggle to find available housing. Many families living in missing middle housing may want to downsize or expand their family, but high interest rates and transfer taxes pose challenges. Transfer taxes stifle the housing life cycle which disallows families from moving to larger or smaller homes based on their needs.
- 3. Stifled commercial activity and downtown renewal.** The COVID-19 pandemic fundamentally changed habits across the business sector. Companies now allow workers to work remotely, and e-commerce has experienced significant growth. As a result, the demand for traditional office spaces and brick-and-mortar stores has declined. This shift has created an environment where communities are examining adaptive reuse policies. Because commercial properties are so expensive, higher transfer taxes could impede the redevelopment of potential spaces into much-needed housing.
- 4. Inflated mortgage and rental costs.** To cover the cost of the transfer tax, sellers may increase the sales price of their home to cover the cost of these taxes. With today's competitive market, many of these homes sell 'for asking' or 'over asking,' further affecting the availability of affordable housing. This

Oak Park's Real Estate Transfer Tax and Housing Mobility (cont'd.)

prices many sellers out of the market. Transfer taxes also have an impact on the rental housing market. According to HUD, the fair market value of a two-bedroom apartment in 2025 is \$1,800, up from \$1,570 in 2021. Transfer taxes discourage homeowners from selling their properties, resulting in a bottleneck in the market. As a result, instead of moving out of the rental market and opening their units for new tenants, renters are forced to remain in place.

Transfer Tax Rates in Nearby Municipalities

Village	Transfer Tax Rate	Equity loss on \$400k sale
Oak Park	\$8 per \$1,000 sale price	-\$3,200
Berwyn	\$10 per \$1,000 sale price	-\$4,000
Forest Park	\$5 per \$1,000 sale price	-\$2,000
River Forest	\$1 per \$1,000 sale price	-\$40
Westchester	\$25 Flat Fee	-\$25
Elmwood Park	\$5 per \$1,000 sale price unless established resident	-\$0
Chicago	\$7.50/\$1,000 (buyer) & \$3.50/\$1,000 sale price (seller)	-\$4,000

Figure 1. Transfer Tax rates amongst neighboring communities (and associated equity loss).

As referenced in Figure 1. Oak Park has one of the highest municipal transfer tax rates compared to its surrounding communities with only Berwyn and Chicago being higher. If a seller were to sell their home valued at \$400,000, the transfer tax rate would be \$3,200. According to the Federal National Mortgage Association ("Fannie Mae") the estimated closing costs for a \$400,000 property in Cook County can range from \$12,000 to \$16,000 which doesn't include agent compensation. By crediting back Oak Park's transfer tax to sellers, this incentive could unlock housing opportunities that might not exist due to market conditions. Empty nesters might be inclined to "right size" and purchase a smaller home, opening their home to a family looking to expand. That in turn might encourage that family to sell their starter home, creating a possibility for a renter to start their home ownership journey. This would create a windfall of housing opportunities for all types of buyers.

Oak Park's Transfer Tax Effect on Closing Costs

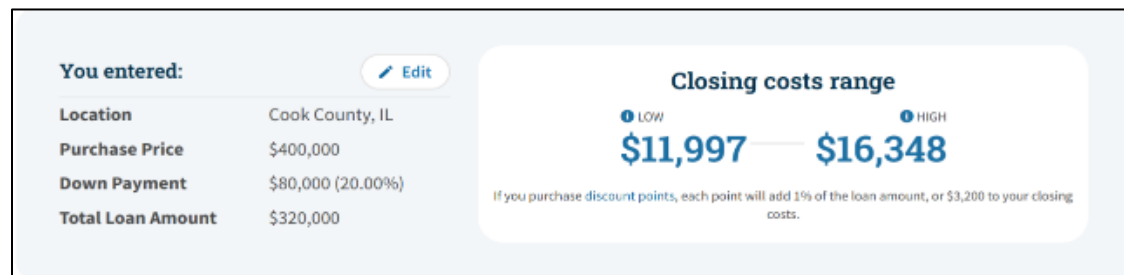


Figure 2. Estimated closing costs on a \$400,000 home in Cook County. Source: Fannie Mae

ILLINOIS REALTORS® POLICY BRIEF

Oak Park's Real Estate Transfer Tax and Housing Mobility (cont'd.)

Estimated Closing Date:	06/15/2025
Sales Price:	\$685,000.00
Closing Costs:	\$11,365.50
Balance:	\$0.00
Prorated Tax Owed:	\$14,321.92
Net At Close:	\$659,312.58
Closing Cost Breakdown	
Title Fees	
Owner's Title Policy	\$3,155.00
Closing Protection Letter (Cpl)	\$50.00
Overnight Delivery Fee	\$50.00
Wire Transfer Fee	\$50.00
State Registration Fee	\$3.00
Commitment Update Fee	\$175.00
Other Fees	
State Transfer Tax:	\$685.00
County Transfer Tax:	\$342.50
Survey:	\$500.00
Recording Fee:	\$150.00
E-Recording Service Fee:	\$25.00
Miscellaneous:	\$700.00
City Transfer Tax:	\$5,480.00

Figure 3. Closing cost breakdown on a recent sale in Oak Park.

In some instances, Oak Park's transfer tax is so high it could account for 20% to almost 50% of the total closing cost (not including agent compensation). Figure 3 illustrates the closing costs on a hypothetical sale in Oak Park. The total closing costs on this hypothetical property listed at \$685,000 would be \$11,365.50. The total transfer tax collected on the sale of this property would be \$6,507.50 or about 57.26% of the total closing costs. Oak Park collects a lion share of the tax, \$5,480 or 48.22% of the total closing costs. In this specific hypothetical, Oak Park would be reducing the closing costs from \$11,365 to \$5,885 if the seller purchased another home within Oak Park. This extra \$5,885 could be used by the seller to further increase their downpayment on their new home, reducing their mortgage and therefore monthly base payments. Further savings allow families to spend more of their income on activities, which could diversify Oak Park's already existing revenue streams.

Discouraging Effects of Loans and Interest

Potential buyers that might be interested in selling or buying a home are not choosing to do so due to high interest rates. According to the Federal Housing Finance Agency, some borrowers are more inclined to "lock-in". This lock-in effect can seriously affect consumer preferences and when interest rates are high, we see more borrowers holding firm on their investments "and these effects are even more pronounced with residential real estate, where the financial asset is physical stationery and transaction costs are at their highest" (The Lock-In Effect of Rising Mortgage Rates). We also see higher rates of lock-in on higher home values (typically those whose assets are valued higher than 600k). As of 2025, the median sales price of a detached home in Oak Park this year was \$623,000. REALTORS are increasingly reporting that many potential sellers and buyers are "locked-in" which further reduces Oak Park's available housing supply.

Oak Park's Real Estate Transfer Tax and Housing Mobility (cont'd.)

\$400,000 home 6% fixed mortgage at 30 years 20% down	\$400,000 home 2% fixed mortgage at 30 years 20% down
Base Payment: \$1,919 per month	Base Payment: \$1,183 per month

If a homebuyer purchases a home during a low-interest rate period (i.e. COVID-19 pandemic) the interest paid on the loan is significantly less than today's current rate (~6%). Interest rates affect the homebuyer's fixed based payment. If a buyer purchased their home while interest rates were at 2%, their payment would only be \$1,183 a month. Meanwhile, if a buyer purchases a home at today's current interest rate their monthly base payment would be \$1,919, a 47% increase. Seller's moving up or down the housing ladder simply may not be able to afford the increased base payment alongside their property tax and mortgage insurance payments.

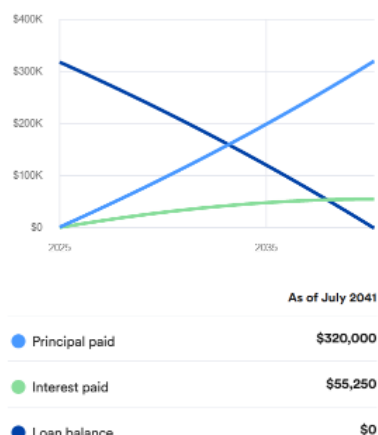


Figure 4. Amortization for mortgage loan at 6% interest on \$320,000. The total cost of the loan is \$690,682.

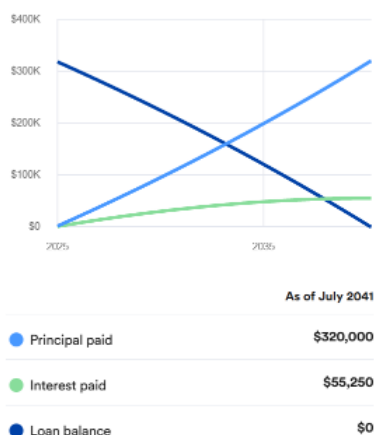


Figure 5. Amortization for mortgage loan at 2% interest on \$320,000. The total cost of the loan is \$375,250.

Figure 4 shows the amortization of a \$320,000 loan at 6% interest for 30 years. Without additional payments the total cost of the loan would be \$690,682 with \$370,682 made in interest alone. Many families are seeing the total cost of today's interest rates and deciding to stay in their home even if they desperately need to expand. **Figure 5** shows the same amortization schedule but this time at 2% interest.

Without additional payments,

the total cost of the loan would be 375,250 with only \$55,250 made in interest payments alone. Families responded to these low rates and began putting in offers, which is why many homes during the pandemic went for over asking price and resulted in bidding wars. Crediting back Oak Park's transfer tax will provide an incentive for these families that are holding the line by allowing them to increase their downpayment, reducing the amount of money they need from a mortgage loan. While Oak Park cannot do anything about interest rates, the village's adoption of a refund policy would foster goodwill, by thanking residents for choosing to reinvest in Oak Park.



Oak Park's Real Estate Transfer Tax and Housing Mobility (cont'd.)

Illinois Communities with Transfer Tax Refund Policies

<u>Wheaton</u> \$2.50/\$1,000 (SELLER)	Eligibility: The seller was a resident of a single-family home, or condo unit, owner of a commercial or retail business within the corporate limits of Wheaton. Prior to the purchasing of an owner-occupied single-family dwelling, condo or owner-occupied retail business.	Timeline: The applicant has 360 days to apply for a refund.
<u>Carol Stream</u> \$3/\$1,000 (SELLER)	Eligibility: 1. The taxpayer occupied residential, commercial or industrial property within the corporate limits. 2. The taxpayer did not rent or lease any portion of the previously owned dwelling or real estate to another person or persons and must have resided in the house being sold for a period of one year within the last three years prior to sale. At the time of the refund application, the taxpayer purchased and occupies property within the village as a replacement for the property sold.	Timeline: The applicant has 360 days to request a refund and provides adequate evidence of eligibility requirements.
<u>Sycamore</u> \$5/\$1,000 (BUYER)	Eligibility: 1. The buyer will have established residency for at least 1 year prior to buying a property. <u>The exemption applies to both established buyers and renters.</u> Existing homeowners will provide the real estate deed for verification. Renters who have established residency shall provide a copy of the utility bill or other documents to determine verification. Other evidence of residency can be considered by the treasurer to establish verification.	Timeline: This is not a refund but an exemption. The city treasurer will be approved by the city treasurer, or his designee, and the buyer will bring the exemption stamp to the closing.
<u>Elmhurst</u> \$1.50/\$1,000 (SELLER)	Eligibility: 1. They previously owned and occupied a single-family dwelling or condominium within the corporate limits of the city as his principal residence. 2. They did not rent or lease any portion of the previously owned dwelling or real estate to another person or persons.	Timeline: <u>Applicants can apply for a refund within 180 days of the date of closing</u> on the sale of the principal residence. No refund will be provided unless the replacement primary residence is occupied and closed. If new construction, the buyer must have applied for a building permit within a 180-day period. The refund will not be returned until the replacement residence is occupied and issued a certification of occupancy.



Oak Park's Real Estate Transfer Tax and Housing Mobility (cont'd.)

Illinois Communities with Transfer Tax Refund Policies (cont'd.)

<u>Park Forest:</u> \$5 /\$1,000 (SELLER)	Eligibility: 1. Has owned and occupied the dwelling on the property for which such tax was paid as a principal residence. 2. Has not rented or leased any portion(s) of the dwelling or real property sold to another person or persons. 3. Owns and occupies the newly acquired single-family dwelling or condominium unit as a principal residence.	Timeline: Has bought or built a single-family dwelling or condominium unit <u>within the village limits within 360 days</u> from the payment of the tax sought to be refunded.
<u>Highland Park:</u> \$5/\$1,000 (SELLER)	Eligibility: 1. The Taxpayer has occupied the Sale Dwelling Unit as his principal residence prior to sale <u>for at least 2 years</u>. 2. The Taxpayer, or his or her agent or designee, has not rented or leased to anyone any portion(s) of the Sale Dwelling Unit or the real property upon which such Sale Dwelling Unit is located. 3. The taxpayer must live within the corporate limits.	Timeline: Applicants can apply for a refund within 360 days after the date the transfer tax is paid on the transfer of the title.
<u>Elmwood Park:</u> \$5/\$1,000 (SELLER)	Eligibility: The seller will not be eligible for a refund if the purchased property has more than 5 units. <u>Unless the seller can demonstrate</u> that one of the units is his primary residence at the time he paid the transfer tax.	Timeline: The Transfer tax shall be refunded to any seller who demonstrates that they have purchased another primary residence <u>within 120 days of his payment of the transfer tax</u> .
<u>Lake Forest</u> \$4/\$1,000 (SELLER)	Eligibility: 1. The taxpayer has bought and sold property within 12 calendar months of each other Limitations: 1. The taxpayer that is entitled to the rebate equal to the lesser amount of such tax, or \$2,000 (maximum). 2. The taxpayer will not be eligible for a refund if they applied for a refund within the last 3 years, preceding the receipt of the refund application	Timeline: The applicant must file a completed transfer tax refund form with the village's finance department <u>within 360 days of the most recent closing</u> .
<u>Des Plaines:</u> \$2/\$1,000 (SELLER)	Eligibility: 1. The Taxpayer has occupied the Sale Dwelling Unit as their principal residence prior to sale. 2. The Taxpayer has not rented or leased to anyone any portion(s) of the Sale Dwelling Unit or the real property upon which such Sale Dwelling Unit is located.	Timeline: The applicant has <u>60 days to request a refund</u> after the taxpayer has purchased and occupied another principal residence.



Oak Park's Real Estate Transfer Tax and Housing Mobility (cont'd.)

Regional Comparative Analysis

Aside from Des Plaines and Elmwood Park, a significant number of municipalities allow eligible homebuyers to apply for a refund within 360 days of paying the transfer tax.

While it is commendable that Des Plaines and Elmwood Park offer a refund policy, many eligible applicants may not fully benefit from the program due to time constraints. To qualify for the refund, homebuyers must establish their new home as their principal residence. The homebuying and moving process can be time-consuming and stressful. Allowing homebuyers to apply for a refund up to one year after paying the tax provides eligible applicants with the opportunity to get settled and organized before pursuing their refund. After all, while the Village will want to cap the timeline for budgetary reasons, the purpose of instituting a refund policy is to reward established community members who choose to move within the community. There should be a balance.

In addition, allowing only 60 or 120 days after paying the tax to claim the refund overlooks the complexities of the housing market as sellers are increasingly requesting leasebacks from buyers. A leaseback occurs when a buyer allows the seller to rent the home for a period after the sale is finalized. Sellers often face challenges in purchasing and moving into a new home due to the competitive market. With only 60 or 120 days to purchase and establish their new residence as their principal home, a leaseback no longer becomes viable options for sellers and might keep potential buyers in limbo as they attempt to purchase another home themselves. Allowing sellers 360 days to apply for a refund after the payment of the transfer tax empowers sellers to take advantage of the refund policy and recognizes the complexities of the current market.

Lake Forest is unique in that sellers are given a partial refund, unlike the full refunds that all other municipalities offer their community. Additionally, it imposes burdensome restrictions on the eligibility requirements. No seller in Lake Forest is eligible for a refund until three years after the date the transfer tax was paid. This lengthy eligibility requirement and partial refund discourages development and penalizes community members for moving within the community. Offering full and timely refunds to community members promotes market mobility, enabling growing families and seniors to buy homes that meet their current needs. Seniors who wish to remain near friends and family may be encouraged to downsize, making room for first-time homebuyers and families in need of more space. This can help alleviate market pressure and revitalize the housing life cycle. All things considered, to maximize the policy's goal of expanding housing options and access for current residents, Oak Park should allow buyers a minimum of one year to apply for the refund.

Oak Park's Real Estate Transfer Tax and Housing Mobility (cont'd.)



Expanding Access via Exemptions

Oak Park and other suburban communities are experiencing rising rents primarily due to supply: there is a serious lack of options for renters to enter the housing market. To combat this, Oak Park needs to create more rental units and missing middle housing, expanding the inventory and giving renters more choices. With these points in mind, Oak Park should also consider two additional exemptions when structuring transfer tax refunds:

- 1. Oak Park should exempt sellers with an ADU on their property from the rental provision.** To its credit, Oak Park has legalized Accessory Dwelling Units (ADUs). Several of the communities studied have eligibility requirements concerning the renting or leasing of parts of a residence to another person. Failure to do so may discourage further construction of ADUs. ADUs offer families with tight budgets to operate that structure as a legal rental property, allowing them to collect additional income. The further construction of ADUs will bolster Oak Park's rental housing market causing rental prices to decrease. Oak Park should follow Elmwood Park in allowing for a refund of its transfer tax for multi-family housing if the seller can provide that their new primary residence is owner occupied.
- 2. Oak Park should exempt renters from transfer taxes up front, instead of having to apply for a refund.** For example, Sycamore is an ex-urban community located in Dekalb County. Unlike many of the other municipalities examined in this analysis, Sycamore has a unique transfer tax system that offers renters a pathway to homeownership. Sycamore's transfer tax is levied on the buyer instead of on the seller. Instead of applying for a refund, buyers instead apply for an exemption. This exemption applies to both renters and established homeowners. Established homeowners can verify residency by providing the deed to the city treasurer, while renters can confirm residency by submitting copies of utility bill payments or other acceptable verification documents. By creating a pathway for renters to become homeowners, Sycamore's rental housing cycle is consistently refreshed, allowing for new tenants which helps keep rental prices low.