



POLICY STATEMENT

REALTY TRANSFER TAX

Background:

A Real Estate transfer tax is a state and local tax assessed on real property when ownership of the property is exchanged between parties. All types of real property, including residential, commercial, and agricultural, are subject to the transfer tax. Although the tax is generally levied on the value of the property, it is assessed only on the sales transaction instead of on an annual basis like the general property tax. Transfer taxes may be assessed on either the buyer or the seller, but both are usually jointly and liable for the tax.

In many states, the realty transfer tax is used to fund programs designed to preserve open space in residential or commercial areas and to fund housing programs for low-income residents. Pennsylvania currently imposes a 1% tax, with an additional tax levied by school districts and municipalities. Generally speaking, the local transfer tax equals an additional 1%.

R-BAR Position:

The Reading-Berks Association of Realtors (R-BAR) does not support increases in, or appropriations from, the realty transfer tax due to the negative impact on housing costs and the industry as a whole. Further, R-BAR urges the repeal of any established realty transfer tax as the tax is a major burden to buyers and sellers of real property, particularly at the time of closing. As the tax is levied only on buyers and sellers of property, the burden per taxpayer is much greater than the burden from a more broad-based tax designed to generate the same amount of revenue.

While the revenue generated by the realty transfer tax during times of economic prosperity and a corresponding housing upturn can be immense, the amount of revenue actually earned from the tax fluctuates as the supply and demand for housing vacillates due to varying economic conditions. As an unstable source of revenue, earnings gained from the realty transfer tax should not be attached to a general operating budget of either state or local government.

Current Facts:

- Pennsylvania currently has one of the highest transfer taxes in the nation. Out-of-state homebuyers may not wish to purchase homes in Pennsylvania due to this tax. Pennsylvania's Transfer Tax exceeds that of six neighboring states.
- The City of Reading's Realty Transfer Tax is the highest in Pennsylvania.

- Buy or Sell a \$100,000 property in the City of Reading, the Realty Transfer Tax is \$5000. The Realty Transfer Tax of this same-valued property, if sold in the suburbs of Berks County, would be \$2000.

ADOPTED
October 11, 2007