Pennsylvania Association of REALTORS®

POLICY STATEMENT
REALTY TRANSFER TAX

Background
A realty 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 realty 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. Realty transfer taxes may be assessed on either the buyer or the seller, but both are usually jointly and severally 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. As a source of general fund revenues, the realty transfer tax is criticized as 1) unstable - due to the unpredictability as a source of revenue and 2) burdensome - as a revenue tax applied to a narrow tax base.

PAR Position
PAR does not support increases to the realty transfer tax due to the negative impact on housing costs and the industry as a whole. Further, PAR urges the repeal of any established realty transfer tax as the tax is a major burden on buyers and sellers of real property, particularly at the time of closing. PAR recognizes that, for as long as real estate transfer taxes continue to be collected, such funds could be used to positively impact the real estate industry as a whole if some of the funds are used responsibly for certain housing-related programs. Accordingly, PAR will consider supporting limited appropriations from the realty transfer tax fund to support those housing initiatives that have been reviewed and recommended by the Legislative Committee.

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.

Approved by the PAR Board of Directors
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