

Help stop the planned Realty Transfer Tax increase.



Stop Taxing the American Dream

FACT: The PA Realty Transfer Tax is already one of the highest in the nation.

At 1% statewide, plus local tax, the only states with transfer tax rates currently higher than Pennsylvania are Delaware (3%), the District of Columbia (1.1% up to \$250K; 1.5% over \$250K), New Hampshire (1.5%), and Washington (1.28% plus local taxes).

FACT: The PA Realty Transfer Tax exceeds that of six of our neighboring states.

PA tax exceeds that of Maryland, New Jersey, New York, Ohio, Virginia, and West Virginia.

FACT: The transfer tax has a very narrow base because it is a tax on a single item - the value of property when ownership is transferred from one party to another.

One problem with a narrowly based tax is that the burden of paying the tax falls on only a small percentage of residents of a jurisdiction. The number of housing units that are transferred in a single year can change dramatically. As such, the state should not rely on the transfer tax as a funding mechanism.

FACT: The transfer tax is regressive and fails to account for the fact that lower income home owners spend a higher percentage of their income on housing than do higher income households.

According to data on home owners from the 2001 American Housing Survey, the home value/income ratio drops steadily from a level of 8.4 at an income level of \$12,500 to a ratio of 1.7 at an income of \$150,000. The decline in the home value/income ratio as income increases is indicative of the regressive nature of the transfer tax.

FACT: The transfer tax is highly volatile and dependent upon market conditions.

Particularly for small areas, the transfer tax cannot be used to support expenditures that require a regular stream of revenue as residential real estate is characterized by strong cycles. Home sales volume declined by 50 percent from the late 1970s to early 1980s. In the early 1990s, sales again fell by 20 percent. While home sales and new construction have shown more stable patterns in recent years (at least from the housing sector perspective), there is no telling future volatility. Reduced growth rates, coupled with increased interest rates, could lead to a serious real estate recession and quickly turn the trend negative.

FACT: The transfer tax is a barrier to home ownership.

Real estate transfer taxes and fees are a major burden to buyers and sellers, particularly at the time of closing. For first-time and low- to moderate-income buyers, the transfer tax is particularly onerous since it requires them to accumulate more savings before the transaction can be completed. For example, a 20 percent down payment on a \$100,000 loan would require that a family have \$20,000 at closing. In addition, up-front costs will add 4-8 percent to the closing costs. It would take 8-10 years for a family with an after tax income of \$30,000, saving 10 percent of their income per year, to accumulate enough money to afford a \$100,000 home.



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