

**D. Brad Patt Senior Vice President, Regional Manager, Associate Broker, GRI  
Prudential Patt, White Real Estate & The Premier Group  
Testimony on Taxes from the REALTOR® Perspective**

Good Morning Representative Simmons, Representative Mackenzie, and members of the panel. My name is Brad Patt and I am Senior Vice President and Regional Manager for the Company my Grandfather started in 1953, Prudential Patt, White Real Estate & The Premier Group. We have 5 offices, 265 Real Estate Professionals and Staff serving the Lehigh Valley and beyond.

I am here to present testimony on taxes from the perspective of a real estate office. I will note that upon achieving the REALTOR® designation, one is fortunate to gain strength in numbers. The National Association of REALTORS®, PA Association of REALTORS® and our local association work to monitor and engage on issues that affect our ability to do business and advocate for consumers through fighting to protect private property rights.

At a time when local governments are facing massive budget deficits, as a result of the slowing economy, there is concern in the REALTOR® Community that local governments will make up these shortfalls utilizing real estate. This can be identified through government bodies proposing an increase in millage rates and other industry related fees (i.e. impact fees, business privilege license fees, pre-sale inspection fees, etc.). It is with certainty I can say real estate does not happen within a vacuum and all taxes and fees levied on consumers or my private office, constitutes a shared burden, directly impacting the real estate market as a whole. The **National Association of Home Builders** have concrete evidence to indicate that for every \$1000 increase in the cost of a new, median priced home, 217,000 prospective buyers are forced out of the market place. This data is especially important when you consider that **housing represents nearly 15% of PA's gross state product.**

**Tax Issues that burden the Real Estate Industry**

**Realty Transfer Taxes:** the 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. The tax is generally levied as a percentage of the value of the property. Realty Transfer taxes may be assessed on either the buyer or the seller, but both are usually jointly and severally liable for the tax. REALTORS® identify that this has a negative impact on the real estate consumers by increasing the cost of homeownership thus in turn making it harder to buy and sell a home impacting the industry as a whole.

**Impact fees:** These are financial levies imposed by municipalities on developers or builders to pay for capital improvements within the community which are necessary to service/accommodate the new development. REALTORS® opposes the imposition of impact fees under any condition. Although impact fees are authorized by law in Pennsylvania, REALTORS® believe that impact fees ultimately increase the cost of housing because actual costs are passed on to the purchaser through increased lot and/or housing prices. Additionally, they create a disproportionate increase in the cost of new construction and discourage economic development construction.

**Document Filing Fee Increases:** Recorders of deeds and clerk of courts charge a fee for filing deeds, mortgages and property transfers. There are currently five prevailing laws that establish and authorize filing fees and increases. REALTORS® believe that a recording fee levied only on a homebuyer is a much greater burden than that from a more broad based tax designed to generate the same amount of revenue.