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THE REALTY TRANSFER TAX

*A New Funding Opportunity for
Farmland Preservation*

On each land transaction that is recorded with a county recorder of deeds, a 2% tax on the sale of the property is levied. The Commonwealth receives 1% and local governments receive the other 1% of this tax. Each year, in total, the realty transfer tax provides approximately \$473 million to Pennsylvania's General Fund.

A proposal has been developed that would take the Commonwealth's portion of the realty transfer tax and earmark those collections to the state's farmland preservation program. Specifically, only the tax on land transactions involving "agricultural lands" would be designated for farmland preservation.

For the purposes of this proposal, "agricultural lands" are those properties that are directly and principally used for "agricultural production" as that term is used in the Agricultural Area Security Law, or any real property that is assessed on the basis of farm or agricultural use.

The realty transfer tax is a measure of development pressure. As agricultural lands leave production, it makes good sense that the tax on these land transactions be designated to a program that keeps agricultural property in production. For the first time in Pennsylvania, a dedicated tax that indicates the amount of development pressure would be directly linked to a program that was created to ensure the long term sustainability of agriculture in the Commonwealth.

The Agricultural Conservation Easement Fund, while making great strides to preserve 301,121 acres representing 2,618 farms in Pennsylvania, has been strained by a continuing backlog of over 2,000 properties waiting to be preserved. This additional revenue would go a long way to ensure that this farmland is preserved and would secure future opportunities for continued agricultural production.

Without increasing a tax burden, dedicating a portion of the current realty transfer tax makes good sense as the pressures from suburbanization invite the greater loss of productive, prime agricultural lands in the Commonwealth.