



## Recent Amendments to the PA Realty Transfer Tax Regulations Will Impose the Realty Transfer Tax on a Wider Range of Transfers

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On December 15, 2007, the Pennsylvania Department of Revenue amended the Realty Transfer Tax regulations. These amendments will cause the realty transfer tax to be imposed on a number of real estate transactions that are not currently taxable. The following are some of the changes that have been implemented:

**Conversions of Companies.** Previously, no realty transfer tax was imposed on the conversion of an entity from one form to another (i.e., the conversion of a general partnership to a limited partnership), as long as there was no change in the beneficial ownership of such entity. The amendments create additional requirements that must be satisfied in order to avoid imposition of the realty transfer tax. For instance, there can be no change in the assets or liabilities of the entity in connection with the conversion.

**Assignments of Agreements of Sale.** Under the amended regulations, the realty transfer tax will now be imposed on amounts paid for the assignment of a contract to purchase real estate.

**Section 1031 Like-Kind Exchanges.** The prior regulations treated Section 1031 like-kind exchanges as two taxable events by ignoring the qualified intermediary. However, as amended, qualified intermediaries no longer qualify as agents of the taxpayer and are subject to the realty transfer tax. Consequently, a like-kind exchange could create four taxable events by taxing the transfer from the seller to the intermediary and the transfer from the intermediary to the purchaser.

**Sale-Leaseback Transactions.** Previously, only the sale in a sale-leaseback transaction was subject to the realty transfer tax and the leaseback was exempt. The amendments subject both the sale and the leaseback of the real estate to the realty transfer tax if the term of the leaseback is 30 years or more. If the transaction qualifies as a financing transaction, then it will remain exempt from the realty transfer tax.

**Termination of a Lease.** Under the amended regulations, the realty transfer tax will now be imposed on the termination of a lease if the termination is for more than nominal consideration and the remaining term of the lease is more than 30 years.

The entire text of the amendments can be viewed online at [www.pabulletin.com](http://www.pabulletin.com).

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