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October 23, 2007

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INDEPENDENT REGULATORY  
REVIEW COMMISSION

**Re: Expensive Changes to the Pennsylvania Realty Transfer Tax**

Dear Mr. Kaufman:

I understand that since 2000, the Pennsylvania Department of Revenue ("DOR") has been working on a project to amend the realty transfer tax regulations. The Department previously issued drafts of amended regulations in 2000, 2005, and March of this year, and now has issued proposed final regulations. These October 2007 revisions will be reviewed for final adoption by the Independent Regulatory Review Commission ("IRRC"), which will hold a public meeting on them on November 1, 2007. The DOR ignored most of the comments to the earlier drafts of the regulations submitted by bar associations and other interested persons. As a result, in numerous instances these regulations will create significant problems.

For example, under the current draft regulations:

- realty transfer tax would be imposed on the assignment of a contract to purchase real estate. Taxing this type of transaction is contrary to the law under the Pennsylvania Supreme Court's holding in the *Allebach* case;
- like kind exchanges may well be subject to **four** transfer taxes because these regulations provide, contrary to the Federal law, that neither a "qualified intermediary" nor an "exchange accommodation title holder" are agents of the taxpayer. Pennsylvania would

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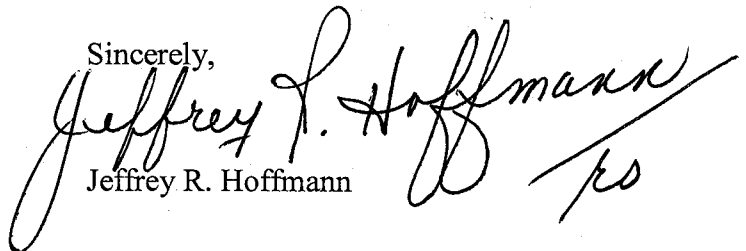
be the only state in the country where exchanges would be subject to such multiple realty transfer taxes; and

- in contrast to the existing regulations, in a sale leaseback transaction, if the lease term (including most options to renew) is 30 years or more, both the sale and the lease will be subject to realty transfer tax unless the transaction is a financing, as narrowly defined by the DOR. It is the DOR's view that a transaction is not a financing unless the property will be returned to the seller at the end of the transaction for no or nominal consideration. Thus, many sale leaseback transactions will be subject to two realty transfer taxes on the initial sale and leaseback, and a **third** realty transfer tax if the property ultimately is conveyed back to the seller.

For these reasons, I strongly urge the Independent Regulatory Review Commission to reject these regulations and request the DOR to issue regulations that comply with the law and are good public policy.

Thank you for your consideration.

Sincerely,

  
Jeffrey R. Hoffmann

JRH/rs