



COMMONWEALTH OF PENNSYLVANIA  
 DEPARTMENT OF REVENUE  
 STRAWBERRY SQUARE  
 HARRISBURG, PA. 17128-1100

THE SECRETARY

(717) 783-3680

#2503

November 1, 2007

Douglas P. Williams  
 Senior Vice President  
 Office of the President  
 Wells Real Estate Funds  
 6200 The Corners Parkway  
 Norcross, GA 30092-3365

Re: Realty Transfer Tax  
 Final Regulation  
 Response to IRRRC Comments

RECEIVED  
 2007 NOV -1 PM 2:09  
 INDEPENDENT REGULATOR  
 REVENUE COMMISSION

Dear Mr. Williams:

On behalf of Chief of Staff Gregory Fajt, I am responding to your recent comments on and concerns related to the Department's Realty Transfer Tax final form regulation.

The Department disagrees with your assertion that the Department's regulation is inconsistent with the Supreme Court's ruling in Allebach v. Com., Dept. of Fin. & Revenue 683 A.2d 625 (1996). Section 91.132(c) of the regulation implements the Court's ruling in Allebach. However, the regulation also reconciles the Court's decision in Allebach with its decision in Baehr Bros. v. Com., 409 A.2d 326 (1979). The regulation applies the Supreme Court's ruling in Baehr Bros. to the facts in Allebach.

In regard to your concerns regarding the Department's position on IRC § 1031 like-kind exchanges, I refer you to our recent Realty Transfer Tax Bulletin 2006-1, a copy of which is enclosed. Perhaps unfortunately, Pennsylvania's realty transfer tax statute does not provide any exclusion for § 1031 like-kind exchanges. The Department cannot create such an exclusion. It would be up to the Pennsylvania Legislature to determine if such an exclusion is in the best interest of the Commonwealth.

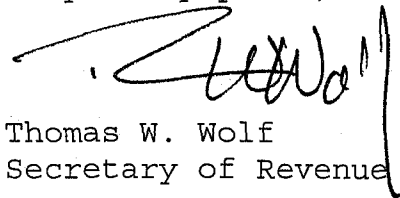
Your last concern involved the Department's revisions to the regulation related to sale and leaseback transactions. This amendment is long overdue in light of Legislative changes to the

Douglas P. Williams  
November 1, 2007  
Page 2

Realty Transfer Tax statute. In 1986, the Legislature amended the statute to impose tax on long-term leases. The Department is simply changing its regulation to conform to the statutes. Once again, this is a matter to be addressed by the Legislature.

I trust that this adequately responds to your comments.

Very truly yours,

A handwritten signature in black ink, appearing to read 'T. Wolf', is written over the typed name and title.

Thomas W. Wolf  
Secretary of Revenue

Enclosure

cc: Gregory Fajt, Chief of Staff to Governor Rendell  
Kim Kauffman, Independent Regulatory Review Commission  
Scott Schalles - Independent Regulatory Review Commission