

# FISCAL NOTE

October 16, 2018

<b>Bill No:</b>	HB 2654	<b>Printer's No:</b>	4027	<b>Sponsor:</b>	Nesbit (R)
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### COST / (SAVINGS)

Fund (s)	2018-19	2019-20
General Fund	\$765,000	See "FISCAL IMPACT"
Keystone Recreation, Park and Conservation Fund	\$135,000	See "FISCAL IMPACT"

**SUMMARY:** This bill exempts the transfer of real estate by a public housing authority (PHA) to a non-profit utilizing the property for Rental Assistance Demonstration (RAD) from the Realty Transfer Tax (RTT).

**ANALYSIS:** HB 2654 amends the Tax Reform Code to add an exemption from the RTT for the transfer of real estate on or after December 31<sup>st</sup>, 2015 from a PHA to a non-profit which intends to use the real estate for RAD administered by Housing and Urban Development (HUD).

RAD is a program developed by HUD which allows public housing units to be administered in a Section 8 platform, while also allowing providers to access private capital for financing improvements. Residents pay a fixed portion (30%) of their income toward rent. Pennsylvania currently has 43 RAD properties from seven PHAs.

HB 2654 is effective immediately.

**FISCAL IMPACT:** The Department of Revenue projects \$1,400,000 in lost RTT revenue from the exemption created by HB 2654.

The Department identifies 28 property transfers which would qualify for an immediate refund from the RTT totalling \$900,000. The Department also identifies an additional 12 developing RAD projects which would qualify for the exemption when the transaction occurs. The lost revenue for these property transfers totals \$500,000, but the exact timing of the lost revenue is dependent on the closing date of the transaction which the Department is unable to predict.

It should be noted that while 85% of the total amount collected from RTT is deposited into the General Fund, the remaining 15% of the RTT is deposited into the Keystone Recreation, Park, and Conservation Fund. The lost revenue caused by HB 2654 would impact both of these funds.