



March 4, 2005
Revised: January 19, 2021
Pennsylvania Realty Transfer Tax
No. RTT-05-005
Realty Transfer Tax and Assessed Value of
Land Subject to Clean and Green

ISSUE

How is computed value calculated for the transfer of real estate that is subject to preferential tax assessment under the Pennsylvania Farmland and Forest Land Assessment Act of 1974 ("Clean and Green"). 72 P.S. § 5490.1, *et seq.*

CONCLUSION

Computed value is calculated using the preferential Clean and Green assessment.

FACTS

The facts as relayed are that an individual currently owns approximately 1,400 acres of land in Pennsylvania. The land consists of ten parcels, nine of which range in size from 40 to 330 acres. The fair market value of the nine parcels is \$639,850.00, and the preferential assessed value under Clean and Green is \$89,735.00. The tenth parcel is six acres and is not subject to the preferred assessment under Clean and Green.¹

The individual wants to transfer the ten parcels into a Pennsylvania limited partnership for nominal consideration.

DISCUSSION

Pennsylvania Realty Transfer Tax is imposed upon "[e]very person who makes, executes, delivers, accepts or presents for recording any document..., shall be subject to pay for and in respect to the transaction..., a State tax at the rate of one percent of the value of the real estate..." 72 P.S. § 8102-C.

Where the transfer of real estate is for nominal consideration the value is determined:

"2) in the case of a gift, sale by execution upon a judgment or upon the foreclosure of a mortgage by a judicial officer, transactions without consideration or for consideration less than the actual monetary worth of the real estate, a taxable lease, an occupancy agreement, a leasehold or possessory interest, any exchange of properties, or the real estate of an acquired company, the actual monetary worth of the real estate determined by

adjusting the **assessed value of the real estate for local real estate tax purposes for the common level ratio of assessed values to market values of the taxing district as established by the State Tax Equalization Board**, or a commensurate part of the assessment where the assessment includes other real estate.”

72 P.S. § 8101-C (Emphasis added.)

The highlighted phrase above defines what is known as “computed value.” 61 Pa. Code § 91.131. The Realty Transfer Tax statute does not define the phrase “assessed value of the real estate for local real estate tax purposes.” The department interprets it to mean the value upon which local real estate tax is paid. In this case, that is the preferential Clean and Green assessed value.

Clean and Green allows preferential assessment values,

“ [f]or general property tax purposes, the value of land which is presently devoted to agricultural use, agricultural reserve, and/or forest reserve shall, on application of the owner and approval thereof as hereinafter provided, be that value which such land has for its particular land use category ...”
72 P.S. § 5490.3(a).

Clean and Green regulations state:

“The benefit to an owner of enrolled land is an assurance that the enrolled land will not be assessed at the same value for tax assessment purposes as land that is not enrolled land. In almost all cases, an owner of enrolled land will see a reduction in his property assessment compared to land assessed or valued at its fair market value.” 7 Pa. Code § 137b.1(b).

Since the real estate is being transferred for nominal consideration, the real estate’s computed value is used as the taxable value for the transfer.

Because the real estate is subject to Clean and Green preferential assessment, the computed value of the real estate is the real estate’s Clean and Green preferential assessed value multiplied by the common level ratio.

¹This letter ruling request is only for the nine parcels subject to the Preferred Assessment. The tenth parcel is not subject of this ruling.