

Home Sale Services, Inc. Launches Series of Real Estate Settlement Articles

Home Sale Services, Inc. (www.homesaleserviceinc.com) has launched a series of articles addressing the costs of real estate settlement. The first article in the series pertains to Transfer Taxes.

(PRWEB) August 15, 2006 -- Home Sale Services, Inc. (www.homesaleserviceinc.com) introduces a series of articles, which address the costs of real estate settlement. The first article in the series applies to transfer taxes imposed by the Commonwealth of Pennsylvania and the county and municipality in which a property is located.

Home Sale Services, Inc. writes Agreements of Sale for clients who are not utilizing real estate brokers to handle their sale or purchase of a home. The company specializes in assisting clients with the sale or purchase of their home. Home Sale Services, Inc. charges a flat fee for services rendered. The company is staffed by attorneys and personnel experienced in the home sale industry. Services are limited to the following counties in Pennsylvania: Montgomery, Chester, Berks, Bucks and Delaware. Home Sale Services provides a professionally drawn Agreement of Sale and the mandatory Seller's Property Disclosure Statement required by Pennsylvania. The flat fee for this service is \$750.00.

One of the principal costs of a real estate sale or purchase is the transfer tax. The transfer tax generally amounts to 2% of the purchase price of the home. One percent is paid to the Commonwealth of Pennsylvania and the other one percent is assessed by the municipality in which the real estate lies. There are a few instances where the transfer tax is higher. The City of Philadelphia charges 3% making the total transfer tax 4%. It is traditional and typical for the Buyer and Seller to split the transfer tax. Therefore, on a \$200,000.00 purchase, in any of the suburban counties, the Buyer would pay 1% and the Seller would pay 1%, or \$2,000.00 each.

The transfer tax must be paid to the Recorder of Deeds at the time the Deed is presented for recording. It is generally collected by the title company or the attorney holding settlement.

If the lot is a vacant lot and there is a contract between the Seller and the Buyer for the Seller, or a related organization to the Seller, to construct a home or commercial building on the lot, the realty transfer tax is assessed on the total value of the contract, plus the vacant land. Both the Buyer and the Seller are liable for the total tax if it is unpaid.

If a vacant lot is purchased and an unrelated third party builder is contracted to build the home or commercial building on the lot, the transfer tax is not imposed on the total value. The transfer tax is only on the value of the vacant lot. However, the existence of a construction mortgage at the time that settlement is held is presumed by the taxing authorities to mean that a construction contract has been issued to a related party and the Commonwealth may assess additional taxes and request proof that the builder is not a related party to the Seller.

The Pennsylvania Department of Revenue has defined whether a builder and a Seller are "affiliated" so that the value of the contract is subject to Pennsylvania Realty Transfer Tax. Examples of an affiliation, given by the Department of Revenue, are as follows:

1. An existing contract for the construction of a home between the lot owner and the builder that is assigned

to the purchaser of the lot.

2. Options to purchase or buy a lot or lots given by the lot owner to the builder.
3. Rights of first refusal to buy a lot or lots given by the lot owner to the builder.
4. Outright sales agreements for a lot or lots given by the lot owner to the builder.
5. Contract designating the builder as the only builder that can build houses on the owner's lots.
6. Agency agreement whereby the lot owner acts as an agent for the builder in selling a lot or lots to a purchaser.
7. Agency agreement where by the builder acts as an agent for the owner who is selling a lot to the purchaser.
8. A partnership or joint venture agreement between the builder and the owner of the lots to develop the lots.

Examples where common ownership between the owner of the lot and the builder may cause affiliation include, but are not limited to:

1. Lot owner or his close relative is a shareholder or a partner in the builder.
2. Builder or his close relative is a shareholder or a partner in the lot owner.
3. Lot owner and builder are owned in whole or in part by the same individuals or entities.

Buyers purchasing real property on which their home will be constructed, are advised to wait until the property has been transferred before executing a contract with a builder. Executing a contract with a builder prior to the transfer, particularly if a construction loan is involved with the settlement, may result in a realty transfer tax. For more information please contact:

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