

SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

BILL NO. House Bill 2412

PRINTER NO. 3720

AMOUNT

Revenue Gain (See Fiscal Impact)

FUND

General Fund
Local Funds

DATE INTRODUCED

April 16, 2020

PRIME SPONSOR

Representative Polinchock

DESCRIPTION

House Bill 2412 amends the Administrative Code to add a new article relating to Emergency COVID-19 provisions regarding issuance of waiver to the Governor's Business Closure Order for legal services, residential and commercial real estate related activities.

The legislation requires the Secretary of Community and Economic Development to immediately issue a waiver to the Governor's Business Closure Order to all providers of legal services, and residential and commercial real estate services, including settlement services.

Until the Governor's March 6, 2020, proclamation of disaster emergency, and any renewal of the state of disaster emergency, is terminated or expires:

- o A municipality or municipal authority that requires a use and occupancy certificate, or any other similar certificate or certification as a condition of a property transfer, shall be presumed to have issued a full and unconditional permit without requiring an inspection of the property. If a certificate is presumed to be issued, the municipality or municipal authority shall be enjoined from conducting a property transfer inspection after the proclamation has terminated or expired; and
- o Taxing authorities and public utilities shall provide alternative means for residential home buyers or title insurers to ascertain the current status of tax payments or overdue utility obligations.

All businesses issued a waiver must comply with social distancing practices and other mitigation measures defined by the Centers for Disease Control and the order issued by the Secretary of Health directing public health safety measures for businesses permitted to maintain in-person operations.

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House Bill 2412 defines “providers of residential and commercial real estate services” as any of the following: real estate brokers and all affiliated licensee and unlicensed employees; home inspectors, professional engineers and architects; any other professional contractor, inspector or other service provider that is providing an inspection that is included as a contingent provision of a real estate agreement of transfer or lease; real estate appraisers; photographers or videographers engaged in collecting digital media for real estate marketing purposes; and title agents, attorneys and notaries providing settlement services.

Waivers granted under House Bill 2412 will remain valid notwithstanding any order issued pursuant to the declaration of disaster emergency issued by the Governor on March 6, 2020, or any renewal unless the order removes any of the restrictions or otherwise grants greater permissions for operations than what are outlined in this legislation.

This act shall take effect immediately.

FISCAL IMPACT

The enactment of House Bill 2412 will result in a revenue gain for the Commonwealth’s General Fund, along with increased local tax revenues. The legislation allows real estate transactions and legal services to resume during the declaration of disaster emergency, so the Commonwealth and its political subdivisions will realize additional realty transfer tax revenue related to the sale of property and personal income tax and earned income tax revenue related to salaries and wages of real estate professionals, attorneys and home inspection employees.

The following table shows Pennsylvania-specific data for the real estate sector (NAICS 531) and legal services sector (NAICS 5411) taken from the 2017 U.S. Economic Census:

Industry Sector	Number of Employees	Number of Firms	Annual Payroll	Sales, Value of Shipments, or Revenue
Real Estate	46,637	6,697	\$2,417,311,000	\$13,965,465,000
Legal Services	50,588	6,027	\$4,519,041,000	\$10,917,651,000

Annual payroll for the real estate sector and legal services sector in Pennsylvania for 2017 totaled more than \$6.9 billion. Based on this data, the average monthly payroll was \$578 million. At a personal income tax (PIT) rate of 3.07%, the real estate sector and legal services sector generated approximately \$17.7 million of PIT revenue for each month of the year and approximately \$5.8 million of local earned income tax (EIT), assuming a local EIT rate of 1%.

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The Commonwealth's realty transfer tax (RTT) generated \$534 million in fiscal year 2018-19 for the General Fund. Therefore, the average RTT collection was \$44.5 million per month for the General Fund. In addition to the 1% state realty transfer tax, a 1% local real estate transfer tax is imposed on the same tax base. As a result, the Commonwealth's political subdivisions collected approximately \$44.5 million per month.

For each month of activity in these specific business sectors, the Commonwealth would generate approximately \$62.2 million of General Fund revenue and its political subdivisions would generate approximately \$50.3 million of local EIT and RTT revenue. In addition, some portion of the payroll attributed to these sectors would be subject to Philadelphia's 3.8712% wage tax.