

NEWS > HOUSING

Reading's real estate transfer tax is the highest in Pennsylvania

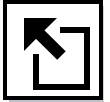
Reading's housing prices are lower than surrounding areas in Berks, but the transfer tax is highest.





By **ADAM RICHTER** | arichter@readingeagle.com | Reading Eagle

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What does it cost to buy a home in Reading?

Reading's homeownership rate is lower than every other comparable city in eastern Pennsylvania, yet the price of a home is also lower than anywhere else in Berks.

John Savant, government liaison for the Reading-Berks Association of Realtors, said renting costs more than owning in the city.

Numbers from the Friction Lab at Princeton University back that up

Statistics from the nonprofit show that in 2016, the median gross rent in Reading was \$731, while the median property value was \$67,600 – which translates into a monthly payment of about \$650 on a 30-year mortgage with a 5% down payment.

So why don't renters just buy instead? One answer could be the high initial costs of owning a house, especially in the city.

And the up-front costs of buying a house are much higher than putting down a deposit on a rental.

"By all metrics, people have less money to put down on a house than they did years ago," Savant said.

When you buy a house anywhere else in Berks County, a transfer tax of 2% of the sales price is part of the closing costs. Half of that goes to the state, and the other 1% is split evenly between the municipality and the school district where the property is located.

In Reading, that same tax is 5%, the highest rate in Pennsylvania. One percent goes to the state, a half-percent goes to the Reading School District and the remaining 3½% goes to the city.

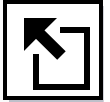
Under state law, certain cities are allowed to set their own transfer tax rates. Reading's rate has been at 3½% since 2008, said Fred Sheeler, Berks County's recorder of deeds.

"It's a higher tax rate but a lower value, and you get much more of a house," Sheeler said.

Savant said the Berks Association of Realtors argues against local governments using transfer taxes for operating costs, since the tax is only as reliable as the housing market, which has its peaks and valleys.

"Year over year, you can't be sure of what you're actually going to generate," Savant said.

But City Council clerk Linda Kelleher said the tax has been an effective way for the city to raise money. The last time it was raised, the city was in financial turmoil — in fact, a year later Reading entered Act 47, a state financial recovery plan. But the increased transfer tax helped bring in much-



If the city were to reduce its portion of the transfer tax, it would have to find another way to make up the lost revenue, she added.

Reading Realtor Juan Zabala said the financial barrier to home ownership in the city is lower than people think, even with the 5% transfer tax.

“I’ve had people buy houses with \$200,” he said.

Zabala said the biggest barrier isn’t cash; it’s know-how about money. Bad credit scores and a lack of financial literacy are what keep many renters out of the housing market. On top of that, younger couples who should be in a position to buy an inexpensive home in the city are often saddled with student loan debt, Zabala said.

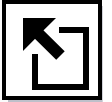
“People who should be buying are renting,” he said.

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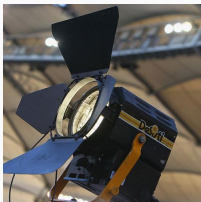
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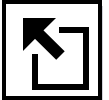
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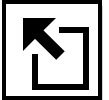
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