



# Senate Finance Committee

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## BILL SUMMARY

**Legislation:** Senate Bill 746, P.N. 766 (as amended by A05668)  
**Sponsor:** Senator Pileggi  
**Act Amended:** Tax Reform Code  
**Topic(s):** Realty Transfer Tax, Inheritance Tax, and Family Farms  
**Date:** October 24, 2011

### Summary:

Senate Bill 746 (as amended by A05668):

- amends the realty transfer tax as it relates to reorganizations of family farm businesses and transfers of property devoted to the business of agriculture to a family farm business by a member of the same family or by a related family farm business; and
- creates an inheritance tax exemption for the conveyance of real estate devoted to the business of agriculture to a member of the same family.

The legislation creates a new definition for “family farm business” under the realty transfer tax by combining the existing definitions of “family farm corporation” and “family farm partnership”.

Various technical and conforming changes are made throughout the realty transfer tax to accommodate the creation of the new definition and the repeal of the existing definitions.

The definition of “association” is amended to clarify that a general partnership and a limited liability partnership are included and that those entities could be considered to be family farm businesses if they meet the other applicable criteria.

The conveyance of assets held by one family farm business to another family farm business shall not be considered a transfer subject to realty transfer tax if the same individuals hold at least fifty percent of the ownership interests in each of the family farm businesses.

The legislation also provides for an exemption from the inheritance tax of real estate devoted to the business of agriculture between members of the same family provided that:

- the real estate continues to be devoted to the business of agriculture for seven years after the transferor’s death and that any such tract which is not devoted to the business of agriculture for that seven year period shall be subject to tax, plus interest;
- the real estate derives a yearly gross income of at least \$2,000; and
- the owner of the exempt real estate annually certifies to the Department of Revenue that the land qualifies for the exemption and notifies the department within thirty days of any transaction or occurrence that causes the real estate to not qualify.

The amendments in this act shall apply as follows:

- The amendments to the realty transfer tax shall apply to any document made, executed, delivered, accepted or presented for recording on or after the effective date of this act.
- The amendments to the inheritance tax shall apply to the estates of decedents dying after December 31, 2011.

This act shall take effect immediately.