



CITY OF PHILADELPHIA
LAW DEPARTMENT
TAX & REVENUE UNIT

Christine T. Bak
Senior Attorney
215-686-0514
Christine.Bak@Phila.Gov

April 30, 2021

[REDACTED]

Re: Realty Transfer Tax ("RTT") Ruling Response: [REDACTED]
[REDACTED] ("Taxpayer") Subsidiary RTT Status

Dear [REDACTED]

On behalf of Taxpayer you have written seeking a ruling on whether, based on the documentation and representations submitted by the Taxpayer, the City of Philadelphia ("City") would agree that neither of the Taxpayer's Parking Subsidiaries (defined below) is a "Real Estate Company" as defined in the City's Realty Transfer Tax ordinance. This opinion is issued by the Tax Unit of the Law Department and the Technical Staff of the Revenue Department of the City of Philadelphia. Under Section 17-703(4), a \$3,500.00 ruling fee is required. Please send a check payable to the City of Philadelphia to my attention.

The Parking Subsidiaries are the owners identified in the garage management agreements submitted with this ruling request. You asked if the City would agree that transfers of interests in the Parking Subsidiaries would not be subject to realty transfer tax. You have advised that ownership of the Parking Subsidiaries will be transferred within Taxpayer's corporate structure, which transfers would be taxable if the transferred entity were a Real Estate Company.

In connection with this ruling request, you represented that each Parking Subsidiary operates a garage and has hired managers through the management agreements submitted. Under these agreements, the garage owners are responsible for all expenses of the garage and they are entitled to all profits from the garage. The managers are only entitled to a fee based upon 2% of the garage gross receipts in the case of [REDACTED] and \$ [REDACTED] per month (increasing by [REDACTED] % each year) in the case of [REDACTED]. The same fee is paid regardless of whether the covered garage makes a profit or incurs a loss.

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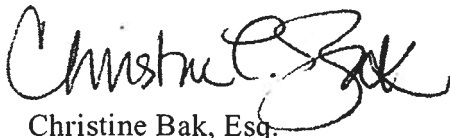
(increasing by 3% each year) in the case of [REDACTED] The same fee is paid regardless of whether the covered garage makes a profit or incurs a loss.

The City's definition of "Real Estate Company" classifies an entity as a real estate company if it "is primarily engaged in the business of holding, selling or leasing real estate..." Philadelphia Code 19-1402(11). An entity which primarily uses its real estate for purposes other than holding, selling or leasing real estate, such as a manufacturing company that owns its real estate or a company operating a garage or a hotel, is not primarily engaged in a real estate business. They derive income from operating a business, not renting real estate. Neither Parking Subsidiary rents real estate and each only derives income from operation of the garage it owns.

In summary, while the law only requires that an entity's primary business be other than real estate to not be classified as a Real Estate Company, each Parking Subsidiary realizes 100% of its revenue from operation of the garage. Based on these facts, neither Parking Subsidiary is a "Real Estate Company" as defined under the City's Realty Transfer Tax ordinance and therefore, a transfer of the interests in Taxpayer is not taxable for purposes of the City's realty transfer tax.

This ruling is directed to Taxpayer and its direct and indirect owners and may not be relied upon by any other person.

Very Truly Yours,



Christine Bak, Esq.

cc: Frances Beckley
Jon-Michael Olson
Mary Kate Martin
Technical Staff