

DEPARTMENT OF TAXATION

2001 Fiscal Impact Statement

1. **Patron:** Tate

3. **Committee:** Senate Finance

4. **Title:** Recordation Tax: Amount to be Taxed

2. **Bill Number** HB 2814

House of Origin:

 Introduced

 Substitute

 Engrossed

Second House:

 X **In Committee**

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would require that the recordation tax on deeds and the grantor's tax be based on the amount of consideration paid for the property. The consideration must be stated on the deed. However, deeds would be valid and would be admitted to record even if no consideration is stated. Currently, the recordation tax on deeds and the grantor's tax are based on the greater of the amount of consideration paid for the property or the fair market value of the property.

The effective date of this bill is not specified.

6. Fiscal Impact Estimates are: Not Available (See Line 8.)

7. Budget amendment necessary: No.

8. Fiscal implications:

The department anticipates minimal administrative costs.

This bill would reduce both General Fund and local recordation tax revenues; however, the reduction is expected to be small. For properties that are sold for amounts below their fair market value, the amount of tax paid will be reduced by the difference between the fair market value and sales price multiplied by the recordation and grantor's tax rates. Although properties may frequently sell for amounts slightly less than fair market value, significant differences between fair market value and sales price are less common.

9. Specific agency or political subdivisions affected:

Circuit Court Clerks

10. Technical amendment necessary: None.

11. Other comments:

Currently, the recordation tax for admitting deeds to record is fifteen cents on every \$100 or fraction thereof on the greater of the consideration of the deed or the actual value of the property. The additional grantor's tax is 50 cents for each \$500 of the consideration or actual value of the property, depending on which amount is used to base the recordation tax for admitting deeds.

This bill would require that the recordation tax for admitting deeds to record equal fifteen cents per \$100 or fraction thereof of the consideration paid for the property. Likewise, the additional grantor's tax on deeds would be 50 cents for each \$500 of the consideration paid for the property. The consideration for the transaction that is memorialized by the deed must be stated on the deed. However, deeds would be valid and would be admitted to record even if no consideration is stated.

cc: Secretary of Finance

Date: 2/6/01/NMS

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