

**DEPARTMENT OF TAXATION
2004 Fiscal Impact Statement**

1. Patron Gary A. Reese

3. Committee House Finance

4. Title Recordation Tax: Contract Exemptions and
Grantor's Tax Exemption

2. Bill Number HB 975

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would grant the same exemptions from the recordation tax on contracts relating to real or personal property that apply to the recordation of any deed conveying real estate. This bill would also exempt conveyances of real estate from the United States from the grantor's tax.

The effective date of this bill is not specified.

6. Fiscal Impact Estimates are: Tentative. (See Line 8.)

7. Budget amendment necessary: No.

8. Fiscal implications:

The Department would incur minimal administrative costs as a result of this bill.

This bill would reduce General Fund revenues by an unknown amount because the nature, number, and value of contracts relating to real or personal property is unknown and the number and value of conveyances of real estate from the United States is unknown.

9. Specific agency or political subdivisions affected:

Circuit Court Clerks

10. Technical amendment necessary: None.

11. Other comments:

Current Law

A recordation tax is assessed on any contract or memorandum relating to real or personal property admitted to record. The rate of tax is 15 cents per \$100 of the greater of the consideration or value contracted for. A grantor's tax is assessed against the grantor of any real property that is conveyed or otherwise transferred. The rate of tax is 50 cents per \$500 of the greater of the consideration or actual value of the property conveyed.

Currently, contracts related to real or personal property are only exempt from the recordation tax are 1) leases to the United States, the Commonwealth, Virginia localities or other Virginia political subdivisions, or 2) any lease of real property or interest in real property to The Nature Conservancy, when such lease is intended to be used exclusively for the purpose of preserving wilderness, natural or open space areas.

There are fourteen exemptions that apply to deeds conveying real estate. Included in the exemptions that apply to deeds conveying real estate are deeds to certain nonprofit organizations, government entities, certain corporations and pass-through entities, and trusts in special situations.

Currently, there are twelve exemptions to the grantor's tax.

Proposed Legislation

This bill would allow the same exemptions that apply to recordation of deeds to apply to the recordation of contracts relating to real or personal property.

This bill would also exempt conveyances of real property from the United States from the grantor's tax. This would align the grantor's tax with the recordation tax as deeds to and from the United States would be exempt from the taxes.

cc : Secretary of Finance