

# DEPARTMENT OF TAXATION

## 2004 Fiscal Impact Statement

1. **Patron** Gary A. Reese

2. **Bill Number** HB 975

3. **Committee** Passed House and Senate

**House of Origin:**

☐ Introduced

☐ Substitute

☐ Engrossed

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

**Second House:**

☐ In Committee

☐ Substitute

☒ Enrolled

### 5. **Summary/Purpose:**

This bill would grant the same exemptions from the recordation tax on contracts and leases relating to real estate 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 and leases relating to real or personal property is unknown and the number and value of conveyances of real estate from the United States is unknown. Local revenue would also be reduced because localities are authorized to impose a local recordation tax equal to one-third the state recordation tax.

### 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 lease, contract or memorandum relating to real estate 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, the only leases and contracts related to real estate that are 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 and leases relating to real 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