

DEPARTMENT OF TAXATION

2007 Fiscal Impact Statement

1. **Patron** Michele B. McQuigg

2. **Bill Number** HB 2059

3. **Committee** Passed House and Senate

House of Origin:

☐ Introduced

☐ Substitute

☐ Engrossed

4. **Title** Recordation Tax; Changes Application of
Tax Rate

Second House:

☐ In Committee

☐ Substitute

☒ Enrolled

5. **Summary/Purpose:**

This bill would provide that the grantor's recordation tax is applied to the greater of the consideration paid for an interest in real property or the value of the interest. Currently the tax is applied to the consideration paid for the interest; the actual value is used only if the consideration cannot be ascertained.

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:**

Administrative Impact

TAX considers implementation of this bill as routine, and does not require additional funding.

Revenue Impact

This bill would have a small positive impact on revenue from the grantor's tax, which is split evenly between the locality and the state's general fund revenue. The magnitude of the impact is not possible to estimate because data are not available on the difference in the value of a property and the amount paid for the property.

9. **Specific agency or political subdivisions affected:**

Department of Taxation
All Localities

10. **Technical amendment necessary:** No.

11. Other comments:

Current Law

The recordation taxes consist of several taxes imposed upon the recordation of deeds, deeds of trust, leases and contracts relating to real estate. In most cases the tax rate is applied to the greater of consideration or actual value. In 1968 Congress repealed the federal documentary stamp tax and the General Assembly added another recordation tax that was based on the former stamp tax. Unlike the other recordation taxes, this tax was is specifically imposed on the grantor, and is often called the "Grantors' Tax."

The language of the grantors' tax, which tracked the repealed federal law, did not specify that the rate applied to "the greater of" consideration or actual value. Therefore, the provision has been interpreted since 1968 as applying the tax rate to the actual value only if the consideration cannot be ascertained.

Proposed Change

This bill would amend the Grantor's tax to conform its base to the same base as the other recordation taxes by providing that the rate of tax is imposed upon the greater of the consideration paid or the value of the interest.

Similar Legislation

Senate Bill 822 is identical to this bill.

cc : Secretary of Finance

Date: 02/26/2007 Initials
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