

**DEPARTMENT OF TAXATION
2015 Fiscal Impact Statement**

1. **Patron** Marcus B. Simon

3. **Committee** House Finance

4. **Title** Recordation Tax; Exemption for Certain
Deeds

2. **Bill Number** HB 1492

House of Origin:

X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would provide an exemption from the recordation tax for deeds of partition, or any combination of deeds simultaneously executed and having the effect of a deed of partition, among joint tenants, tenants in common, or coparceners and deeds transferring property pursuant to a decree of divorce or of separate maintenance or pursuant to a written instrument incident to such divorce or separation.

Under current law, deeds of partition, or any combination of deeds simultaneously executed and having the effect of a deed of partition, among joint tenants, tenants in common, or coparceners and deeds transferring property pursuant to a decree of divorce or of separate maintenance or pursuant to a written instrument incident to such divorce or separation are subject to the recordation tax at the rate of \$0.50 per deed.

The effective date of this bill is not specified.

6. Budget amendment necessary: No.

7. Fiscal Impact Estimates are: Preliminary. (See Line 8.)

8. Fiscal implications:

Administrative Costs

There would be no administrative costs to the Department of Taxation to implement this bill, as the recordation tax is collected by the clerks of the local Circuit Courts. The cost for the local courts to implement this bill is unknown.

Revenue Impact

This bill would have an unknown, but likely minimal, negative impact on General Fund revenue. The bill would exempt certain deeds of partition and deeds transferring property pursuant to a divorce or a separation. The current recordation tax rate for such deeds is \$0.50 per deed. On average there are roughly 29,000 divorces in Virginia annually, not all of which would result in a deed transferring property.

The Commonwealth collected approximately \$360 million in Fiscal Year 2013 from the recordation tax. The first \$40 million of the state recordation tax is dedicated to the U.S. Route 58 Corridor Development Fund and another \$40 million of the state recordation tax is apportioned and distributed back to each county and city. Additionally, out of the total state recordation tax collected, \$0.02 per \$100 of value are deposited into the Commonwealth Mass Transit Fund and \$0.01 per \$100 of value is deposited into the Highway Maintenance and Operating Fund. The remaining revenues are dedicated to the General Fund.

9. Specific agency or political subdivisions affected:

Department of Taxation
Clerks of the Circuit Courts

10. Technical amendment necessary: No.

11. Other comments:

Background

Under Virginia law, a deed is effective between the parties when the grantor delivers it to the grantee. Virginia offers a recordation system in each circuit court to record deeds and has enacted laws providing certain protections for buyers and lenders who rely on the information recorded in the circuit courts. Accordingly, Virginia imposes a tax for the privilege of using the recordation system to record deeds.

For deeds of trust, a tax is imposed on the amount of bonds or other obligations secured thereby. The amount of the tax is 25 cents on every \$100 or portion thereof of the amount of bonds or other obligations secured by the deed of trust, except in certain situations. Under current law, deeds of partition, or any combination of deeds simultaneously executed and having the effect of a deed of partition, among joint tenants, tenants in common, or coparceners and deeds transferring property pursuant to a decree of divorce or of separate maintenance or pursuant to a written instrument incident to such divorce or separation are subject to the recordation tax at the rate of \$0.50 per deed.

Proposal

This bill would provide an exemption from the recordation tax for deeds of partition, or any combination of deeds simultaneously executed and having the effect of a deed of partition, among joint tenants, tenants in common, or coparceners and deeds transferring property pursuant to a decree of divorce or of separate maintenance or pursuant to a written instrument incident to such divorce or separation.

The effective date of this bill is not specified.

Similar Legislation

House Bill 1337 would provide an exemption from the recordation tax rate for deeds of trust given by a property bail bondsman as security on a bond.

cc : Secretary of Finance

Date: 1/26/2015 AM
DLAS File Name: HB1492F161