

DEPARTMENT OF TAXATION

2016 Fiscal Impact Statement

1. **Patron** Marcus B. Simon

2. **Bill Number** HB 596

3. **Committee** Senate Finance

House of Origin:

 Introduced

 Substitute

 Engrossed

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

Second House:

 X **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 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.

On every deed admitted to record, except a deed exempt from taxation by law, the state recordation tax is generally imposed at the rate of 25 cents on every \$100 or fraction thereof of the consideration of the deed or the actual value of the property conveyed, whichever is greater. However, 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 339 would provide an exemption from the recordation tax for any deed of trust that secures a loan made by a locality to a borrower whose household income does not exceed 80% of the area median household income established by the U.S. Department of Housing and Urban Development for the purpose of erecting or rehabilitating a home for such borrower, including the purchase of land for such home.

House Bill 493 would create the Virginia Energy Efficiency Revolving Fund to provide no-interest loans to any locality, school division, or public institution of higher education. The bill also would provide that for each fiscal year that the revenue from certain state recordation taxes deposited into the state treasury exceeds \$325 million, 40 percent of the excess revenue would be dedicated to the Fund.

House Bill 683 and **House Bill 972** would provide that for each fiscal year that the revenue from certain state recordation taxes deposited into the state treasury exceeds \$325 million, 20 percent of the excess revenue would be dedicated to the Virginia Housing Trust Fund.

cc : Secretary of Finance

Date: 2/5/2016 AM
DLAS File Name: HB596FE161