

# DEPARTMENT OF TAXATION

## 2020 Fiscal Impact Statement

1. **Patron** Richard C. Sullivan, Jr.

3. **Committee** House Finance

4. **Title** Recordation Tax; Supplemental Writings

2. **Bill Number** HB 1615

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

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

This bill would clarify that a supplemental writing conveying Virginia property to secure obligations outside the state that recites an increase in the principal amount of bonds or obligations is not subject to recordation tax so long as the writing does not recite an increase in the amount of the principal obligation secured by the Virginia property.

Under current law, when a previously recorded deed is subsequently modified to reflect an increase in the amount of an obligation secured, recordation tax is levied upon the difference between the previous and existing debts.

If enacted during the 2020 Regular Session of the General Assembly, this bill would become effective July 1, 2020.

6. **Budget amendment necessary:** No.

7. **Fiscal Impact Estimates are:** Not available. (See Line 8.)

### 8. **Fiscal implications:**

#### Administrative Costs

This bill would have an unknown impact on local administrative costs.

The Department of Taxation considers implementation of this bill to be routine and does not require additional funding.

#### Revenue Impact

This bill would have an unknown negative impact on state and local revenues to the extent recordation tax is currently being collected on these types of supplemental writings.

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

Department of Taxation  
All localities

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

**11. Other comments:**

Recordation Tax – Supplemental Writings

A deed of trust or mortgage securing a debt or other obligation is charged recordation tax based on the amount of the obligation secured. When a previously recorded deed of trust is subsequently modified to reflect an increase in the amount of the obligation secured, the tax is based on the difference between the modified amount secured and the existing debt.

Deeds of trust or mortgages conveying property within Virginia to secure bonds or obligations secured by deeds of trust or mortgages on property outside Virginia are subject to the recordation tax on such proportion of the bonds or obligations as the actual value of the property inside Virginia bears to the entire amount of property conveyed by all such writings being recorded. Current law is silent as to whether recordation tax would be due on a writing supplemental to this type of deed where the principal amount of the overall bond or obligation may have increased but the principal obligation secured by the Virginia property has not.

Proposal

This bill would clarify that a supplemental writing conveying Virginia property to secure obligations outside the state that recites an increase in the principal amount of bonds or obligations is not subject to recordation tax so long as it does not recite an increase in the amount of the principal obligation secured by the Virginia property.

If enacted during the 2020 Regular Session of the General Assembly, this bill would become effective July 1, 2020.

Similar Legislation

**House Bill 1580** would clarify that the exemption for deeds to which only married couples are parties applies to all spouses.

**House Bill 1622** would authorize the Virginia Outdoors Foundation to provide grants to persons conveying to the Foundation fee simple title or other rights to interests or privileges in property and to provide grants to localities acquiring such interests. The bill also would increase from one dollar to three dollars the fee for open-space preservation charged for every writing, document, and instrument admitted to record in those jurisdictions in which open-space easements are held by the Virginia Outdoors

Foundation, and clarify that the fee applies to any "writing, document, and instrument" admitted to record, replacing the term "deed."

**House Bill 1623** would increase from one dollar to three dollars the fee for open-space preservation charged for every writing, document, and instrument admitted to record in those jurisdictions in which open-space easements are held by the Virginia Outdoors Foundation. The bill would also clarify that the fee applies to any "writing, document, and instrument" admitted to record, replacing the term "deed."

cc : Secretary of Finance

Date: 1/26/2020 VB  
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