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SENATE BILL NO. 517

AMENDMENT IN THE NATURE OF A SUBSTITUTE

(Proposed by the Senate Committee on Finance and Appropriations)

(Patron Prior to Substitute—Senator Williams Graves)

Senate Amendments in [] - February 6, 2024

A *BILL to amend and reenact §§ 58.1-811, as it is currently effective and as it may become effective, and 58.1-3607 of the Code of Virginia and to repeal §§ 58.1-3650.31 and 58.1-3650.716, relating to tax exemptions; Confederacy organizations.*

Be it enacted by the General Assembly of Virginia:

1. That §§ 58.1-811, as it is currently effective and as it may become effective, and 58.1-3607 of the Code of Virginia are amended and reenacted as follows:

§ 58.1-811. (Contingent expiration date, see Acts 2013, c. 766, cl. 14) Exemptions.

A. The taxes imposed by §§ 58.1-801 and 58.1-807 shall not apply to any deed conveying real estate or lease of real estate:

1. To an incorporated college or other incorporated institution of learning not conducted for profit, where such real estate is intended to be used for educational purposes and not as a source of revenue or profit;

2. To an incorporated church or religious body or to the trustee or trustees of any church or religious body, or a corporation mentioned in § 57-16.1, where such real estate is intended to be used exclusively for religious purposes, or for the residence of the minister of any such church or religious body;

3. To the United States, the Commonwealth, or to any county, city, town, district, or other political subdivision of the Commonwealth;

~~4. To the Virginia Division of the United Daughters of the Confederacy;~~

5. To any nonstock corporation organized exclusively for the purpose of owning or operating a hospital or hospitals not for pecuniary profit;

~~6.~~ 5. To a corporation upon its organization by persons in control of the corporation in a transaction which qualifies for nonrecognition of gain or loss pursuant to § 351 of the Internal Revenue Code as it exists at the time of the conveyance;

~~7.~~ 6. From a corporation to its stockholders upon complete or partial liquidation of the corporation in a transaction which qualifies for income tax treatment pursuant to § 331, 332, 333, or 337 of the Internal Revenue Code as it exists at the time of liquidation;

8. 7. To the surviving or new corporation, partnership, limited partnership, business trust, or limited liability company upon a merger or consolidation to which two or more such entities are parties, or in a reorganization within the meaning of § 368(a)(1)(C) and (F) of the Internal Revenue Code as amended;

~~9.~~ 8. To a subsidiary corporation from its parent corporation, or from a subsidiary corporation to a parent corporation, if the transaction qualifies for nonrecognition of gain or loss under the Internal Revenue Code as amended;

~~10.~~ 9. To a partnership or limited liability company, when the grantors are entitled to receive not less than 50 percent of the profits and surplus of such partnership or limited liability company, provided that the transfer to a limited liability company is not a precursor to a transfer of control of the assets of the company to avoid recordation taxes;

~~11.~~ 10. From a partnership or limited liability company, when the grantees are entitled to receive not less than 50 percent of the profits and surplus of such partnership or limited liability company, provided that the transfer from a limited liability company is not subsequent to a transfer of control of the assets of the company to avoid recordation taxes;

~~12.~~ 11. To trustees of a revocable inter vivos trust, when the grantors in the deed and the beneficiaries of the trust are the same persons, regardless of whether other beneficiaries may also be named in the trust instrument, when no consideration has passed between the grantor and the beneficiaries;

~~13.~~ 12. When the grantor is an organization exempt from taxation under § 501(c)(3) of the Internal Revenue Code that is organized and operated primarily to acquire land and purchase materials to erect or rehabilitate low-cost homes on such land, which homes are sold at cost to persons who otherwise would be unable to afford to buy a home through conventional means;

~~14.~~ 13. When it is a deed 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; or

~~15.~~ 14. When it is a deed transferring property pursuant to a decree of divorce or of separate maintenance or pursuant to a written instrument incident to such divorce or separation.

B. The taxes imposed by §§ 58.1-803 and 58.1-804 shall not apply to any deed of trust or mortgage:

1. Given by an incorporated college or other incorporated institution of learning not conducted for

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60 profit;

61 2. Given by the trustee or trustees of a church or religious body or given by an incorporated church
62 or religious body, or given by a corporation mentioned in § 57-16.1;

63 3. Given by any nonstock corporation organized exclusively for the purpose of owning and/or
64 operating a hospital or hospitals not for pecuniary profit;

65 4. Given by any local governmental entity or political subdivision of the Commonwealth to secure a
66 debt payable to any other local governmental entity or political subdivision;

67 5. Securing a loan made by an organization described in subdivision A 43 12;

68 6. Securing a loan made by a county, city, or town, or an agency of such a locality, to a borrower
69 whose household income does not exceed 80 percent of the area median household income established
70 by the U.S. Department of Housing and Urban Development, for the purpose of erecting or
71 rehabilitating a home for such borrower, including the purchase of land for such home; or

72 7. Given by any entity organized pursuant to Chapter 9.1 (§ 56-231.15 et seq.) of Title 56.

73 C. The tax imposed by § 58.1-802 and the fee imposed by §§ 58.1-802.3, 58.1-802.4, and 58.1-802.5
74 shall not apply to any:

75 1. Transaction described in subdivisions A 6 5 through 42 11, 44 13, and 45 14;

76 2. Instrument or writing given to secure a debt;

77 3. Deed conveying real estate from an incorporated college or other incorporated institution of
78 learning not conducted for profit;

79 4. Deed conveying real estate from the United States, the Commonwealth or any county, city, town,
80 district, or other political subdivision thereof;

81 5. Conveyance of real estate to the Commonwealth or any county, city, town, district, or other
82 political subdivision thereof, if such political unit is required by law to reimburse the parties taxable
83 pursuant to § 58.1-802 or subject to the fee under § 58.1-802.3 or 58.1-802.5; or

84 6. Deed conveying real estate from the trustee or trustees of a church or religious body or from an
85 incorporated church or religious body, or from a corporation mentioned in § 57-16.1.

86 D. No recordation tax shall be required for the recordation of any deed of gift between a grantor or
87 grantors and a grantee or grantees when no consideration has passed between the parties. Such deed
88 shall state therein that it is a deed of gift.

89 E. The tax imposed by § 58.1-807 shall not apply to any lease to the United States, the
90 Commonwealth, or any county, city, town, district, or other political subdivision of the Commonwealth.

91 F. The taxes and fees imposed by §§ 58.1-801, 58.1-802, 58.1-802.3, 58.1-802.5, 58.1-807, 58.1-808,
92 and 58.1-814 shall not apply to (i) any deed of gift conveying real estate or any interest therein to The
93 Nature Conservancy or (ii) any lease of real property or any interest therein to The Nature Conservancy,
94 where such deed of gift or lease of real estate is intended to be used exclusively for the purpose of
95 preserving wilderness, natural, or open space areas.

96 G. The words "trustee" or "trustees," as used in subdivisions A 2, B 2, and C 6, include the trustees
97 mentioned in § 57-8 and the ecclesiastical officers mentioned in § 57-16.

98 H. No recordation tax levied pursuant to this chapter shall be levied on the release of a contractual
99 right, if the release is contained within a single deed that performs more than one function, and at least
100 one of the other functions performed by the deed is subject to the recordation tax.

101 I. No recordation tax levied pursuant to this chapter shall be levied on a deed, lease, easement,
102 release, or other document recorded in connection with a concession pursuant to the Public-Private
103 Transportation Act of 1995 (§ 33.2-1800 et seq.) or similar federal law.

104 J. No recordation tax shall be required for the recordation of any transfer on death deed or any
105 revocation of transfer on death deed made pursuant to the Uniform Real Property Transfer on Death Act
106 (§ 64.2-621 et seq.) when no consideration has passed between the parties.

107 K. No recordation tax levied pursuant to this chapter shall be required for the recordation of any
108 deed of distribution when no consideration has passed between the parties. Such deed shall state therein
109 on the front page that it is a deed of distribution. As used in this subsection, "deed of distribution"
110 means a deed conveying property from an estate or trust (i) to the original beneficiaries of a trust from
111 the trustees holding title under a deed in trust; (ii) the purpose of which is to comply with a devise or
112 bequest in the decedent's will or to transfer title to one or more beneficiaries after the death of the
113 settlor in accordance with a dispositive provision in the trust instrument; (iii) that carries out the
114 exercise of a power of appointment; or (iv) that is pursuant to the exercise of the power under the
115 Uniform Trust Decanting Act (§ 64.2-779.1 et seq.).

116 **§ 58.1-811. (Contingent effective date, see Acts 2013, c. 766, cl. 14) Exemptions.**

117 A. The taxes imposed by §§ 58.1-801 and 58.1-807 shall not apply to any deed conveying real estate
118 or lease of real estate:

119 1. To an incorporated college or other incorporated institution of learning not conducted for profit,
120 where such real estate is intended to be used for educational purposes and not as a source of revenue or
121 profit;

2. To an incorporated church or religious body or to the trustee or trustees of any church or religious body, or a corporation mentioned in § 57-16.1, where such real estate is intended to be used exclusively for religious purposes, or for the residence of the minister of any such church or religious body;

3. To the United States, the Commonwealth, or to any county, city, town, district, or other political subdivision of the Commonwealth;

~~4. To the Virginia Division of the United Daughters of the Confederacy;~~

5. To any nonstock corporation organized exclusively for the purpose of owning or operating a hospital or hospitals not for pecuniary profit;

~~6.~~ 5. To a corporation upon its organization by persons in control of the corporation in a transaction which qualifies for nonrecognition of gain or loss pursuant to § 351 of the Internal Revenue Code as it exists at the time of the conveyance;

~~7.~~ 6. From a corporation to its stockholders upon complete or partial liquidation of the corporation in a transaction which qualifies for income tax treatment pursuant to § 331, 332, 333, or 337 of the Internal Revenue Code as it exists at the time of liquidation;

8. 7. To the surviving or new corporation, partnership, limited partnership, business trust, or limited liability company upon a merger or consolidation to which two or more such entities are parties, or in a reorganization within the meaning of § 368(a)(1)(C) and (F) of the Internal Revenue Code as amended;

~~9.~~ 8. To a subsidiary corporation from its parent corporation, or from a subsidiary corporation to a parent corporation, if the transaction qualifies for nonrecognition of gain or loss under the Internal Revenue Code as amended;

~~10.~~ 9. To a partnership or limited liability company, when the grantors are entitled to receive not less than 50 percent of the profits and surplus of such partnership or limited liability company, provided that the transfer to a limited liability company is not a precursor to a transfer of control of the assets of the company to avoid recordation taxes;

~~11.~~ 10. From a partnership or limited liability company, when the grantees are entitled to receive not less than 50 percent of the profits and surplus of such partnership or limited liability company, provided that the transfer from a limited liability company is not subsequent to a transfer of control of the assets of the company to avoid recordation taxes;

~~12.~~ 11. To trustees of a revocable inter vivos trust, when the grantors in the deed and the beneficiaries of the trust are the same persons, regardless of whether other beneficiaries may also be named in the trust instrument, when no consideration has passed between the grantor and the beneficiaries;

~~13.~~ 12. When the grantor is an organization exempt from taxation under § 501(c)(3) of the Internal Revenue Code that is organized and operated primarily to acquire land and purchase materials to erect or rehabilitate low-cost homes on such land, which homes are sold at cost to persons who otherwise would be unable to afford to buy a home through conventional means;

~~14.~~ 13. Pursuant to any deed 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; or

~~15.~~ 14. Pursuant to any deed transferring property pursuant to a decree of divorce or of separate maintenance or pursuant to a written instrument incident to such divorce or separation.

B. The taxes imposed by §§ 58.1-803 and 58.1-804 shall not apply to any deed of trust or mortgage:

1. Given by an incorporated college or other incorporated institution of learning not conducted for profit;

2. Given by the trustee or trustees of a church or religious body or given by an incorporated church or religious body, or given by a corporation mentioned in § 57-16.1;

3. Given by any nonstock corporation organized exclusively for the purpose of owning and/or operating a hospital or hospitals not for pecuniary profit;

4. Given by any local governmental entity or political subdivision of the Commonwealth to secure a debt payable to any other local governmental entity or political subdivision;

5. Securing a loan made by an organization described in subdivision A ~~13~~ 12;

6. Securing a loan made by a county, city, or town, or an agency of such a locality, to a borrower whose household income does not exceed 80 percent 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; or

7. Given by any entity organized pursuant to Chapter 9.1 (§ 56-231.15 et seq.) of Title 56.

C. The tax imposed by § 58.1-802 shall not apply to any:

1. Transaction described in subdivisions A ~~6~~ 5 through ~~12~~ 11, ~~14~~ 13, and ~~15~~ 14;

2. Instrument or writing given to secure a debt;

3. Deed conveying real estate from an incorporated college or other incorporated institution of learning not conducted for profit;

4. Deed conveying real estate from the United States, the Commonwealth or any county, city, town,

183 district, or other political subdivision thereof;

184 5. Conveyance of real estate to the Commonwealth or any county, city, town, district, or other
185 political subdivision thereof, if such political unit is required by law to reimburse the parties taxable
186 pursuant to § 58.1-802; or

187 6. Deed conveying real estate from the trustee or trustees of a church or religious body or from an
188 incorporated church or religious body, or from a corporation mentioned in § 57-16.1.

189 D. No recordation tax shall be required for the recordation of any deed of gift between a grantor or
190 grantors and a grantee or grantees when no consideration has passed between the parties. Such deed
191 shall state therein that it is a deed of gift.

192 E. The tax imposed by § 58.1-807 shall not apply to any lease to the United States, the
193 Commonwealth, or any county, city, town, district, or other political subdivision of the Commonwealth.

194 F. The taxes and fees imposed by §§ 58.1-801, 58.1-802, 58.1-807, 58.1-808, and 58.1-814 shall not
195 apply to (i) any deed of gift conveying real estate or any interest therein to The Nature Conservancy or
196 (ii) any lease of real property or any interest therein to The Nature Conservancy, where such deed of
197 gift or lease of real estate is intended to be used exclusively for the purpose of preserving wilderness,
198 natural, or open space areas.

199 G. The words "trustee" or "trustees," as used in subdivisions A 2, B 2, and C 6, include the trustees
200 mentioned in § 57-8 and the ecclesiastical officers mentioned in § 57-16.

201 H. No recordation tax levied pursuant to this chapter shall be levied on the release of a contractual
202 right, if the release is contained within a single deed that performs more than one function, and at least
203 one of the other functions performed by the deed is subject to the recordation tax.

204 I. No recordation tax levied pursuant to this chapter shall be levied on a deed, lease, easement,
205 release, or other document recorded in connection with a concession pursuant to the Public-Private
206 Transportation Act of 1995 (§ 33.2-1800 et seq.) or similar federal law.

207 J. No recordation tax shall be required for the recordation of any transfer on death deed or any
208 revocation of transfer on death deed made pursuant to the Uniform Real Property Transfer on Death Act
209 (§ 64.2-621 et seq.) when no consideration has passed between the parties.

210 K. No recordation tax levied pursuant to this chapter shall be required for the recordation of any
211 deed of distribution when no consideration has passed between the parties. Such deed shall state therein
212 on the front page that it is a deed of distribution. As used in this subsection, "deed of distribution"
213 means a deed conveying property from an estate or trust (i) to the original beneficiaries of a trust from
214 the trustees holding title under a deed in trust; (ii) the purpose of which is to comply with a devise or
215 bequest in the decedent's will or to transfer title to one or more beneficiaries after the death of the
216 settlor in accordance with a dispositive provision in the trust instrument; (iii) that carries out the
217 exercise of a power of appointment; or (iv) that is pursuant to the exercise of the power under the
218 Uniform Trust Decanting Act (§ 64.2-779.1 et seq.).

219 **§ 58.1-3607. Property exempt from taxation by designation.**

220 A. Pursuant to the authority granted in Article X, Section 6 (a) (6) of the Constitution of Virginia to
221 exempt property from taxation by designation, and notwithstanding the provisions of § 58.1-3651, the
222 real and personal property of the following organizations, corporations, and associations shall be exempt
223 from taxation:

224 1. Property of the Association for the Preservation of Virginia Antiquities, the Association for the
225 Preservation of Petersburg Antiquities, Historic Richmond Foundation, ~~the Confederate Memorial~~
226 ~~Literary Society~~, the Mount Vernon Ladies' Association of the Union, the Virginia Historical Society,
227 the Thomas Jefferson Memorial Foundation, Incorporated, the Patrick Henry Memorial Foundation,
228 Incorporated, ~~the Stonewall Jackson Memorial, Incorporated~~, George Washington's Fredericksburg
229 Foundation, Home Demonstration Clubs, 4-H Clubs, the Future Farmers of America, Incorporated, the
230 posts of the American Legion, posts of United Spanish War Veterans, branches of the Fleet Reserve
231 Association, posts of Veterans of Foreign Wars, posts of the Disabled American Veterans, Veterans of
232 World War I, USA, Incorporated, the Society of the Cincinnati in the State of Virginia, the Manassas
233 Battlefield Confederate Park, Incorporated, [~~the Robert E. Lee Memorial Foundation, Incorporated~~, the
234 Robert E. Lee Memorial Foundation, Incorporated,] ~~the Virginia Division of the United Daughters of~~
235 ~~the Confederacy~~, ~~the General Organization of the United Daughters of the Confederacy~~, the Memorial
236 Foundation of the Germanna Colonies in Virginia, Incorporated, the Lynchburg Fine Arts Centers,
237 Incorporated, Norfolk Historic Foundation, National Trust for Historic Preservation in the United States,
238 Historic Alexandria Foundation, and the Lynchburg Historical Foundation.

239 2. Property of Colonial Williamsburg, Incorporated, used for museum, historical, municipal,
240 benevolent or charitable purposes, as long as such corporation continues to be organized and operated
241 not for profit.

242 3. Property owned by the Virginia Home (previously Virginia Home for Incurables), incorporated by
243 Chapter 533 of the Acts of Assembly of 1893-4, approved March 1, 1894.

244 4. The property owned by the Waterford Foundation, Incorporated, so long as it continues to be a

nonprofit corporation to encourage and assist in restoration work in Waterford and to stimulate the revival of local arts and crafts.

5. Property of Historic Fredericksburg, Incorporated, and of the Clarke County Historical Association, used by such organizations for historical, benevolent or charitable purposes, as long as such corporation continues to be organized and operated not for profit.

6. Property of the Westmoreland Davis Foundation, Inc., so long as it continues to be a nonprofit corporation.

7. Property owned by the Women's Home Incorporated, in Arlington County and used for the rehabilitation of women with substance abuse, so long as it continues to be operated not for profit.

B. Property designated to be exempt from taxation in subsection A which was exempt on July 1, 1971, shall continue to be exempt under the rules of statutory construction applicable to exempt property prior to such date.

2. That §§ 58.1-3650.31 and 58.1-3650.716 of the Code of Virginia are repealed.

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