

DEPARTMENT OF TAXATION

2024 Fiscal Impact Statement

1. **Patron** Kelly K. Convirs-Fowler
3. **Committee** House Courts of Justice
4. **Title** State Recordation Tax; exemption

2. **Bill Number** HB 414
- House of Origin:**
 X **Introduced**
 Substitute
 Engrossed
- Second House:**
 In Committee
 Substitute
 Enrolled

5. Summary/Purpose:

This impact statement is limited to taxes administered by the Department of Taxation ("the Department"). The bill would establish an exemption from the recordation tax for a quitclaim deed between a grantor and grantee when no consideration has passed between the parties, provided that such quitclaim deed shows on its face that no consideration has passed.

Under current law, quitclaim deeds are generally subject to the state recordation tax at the rate of 25 cents for every \$100 or fraction thereof of the consideration of the deed or the actual value of the property conveyed, whichever is greater.

If enacted during the regular session of the 2024 General Assembly, this bill would become effective July 1, 2024.

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 administrative costs. The bill would have no impact on state administrative costs.

Revenue Impact

This bill would have an unknown negative impact on state and local revenues.

9. Specific agency or political subdivisions affected:

Department of Taxation
All localities

10. Technical amendment necessary: No.

11. Other comments:

State Recordation Tax

Virginia law establishes that 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.

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 In 1968, Congress repealed the federal documentary stamp tax and the General Assembly added another recordation tax that was based on the former stamp tax.

Under current law, every deed, except a deed exempt from taxation by law, is subject to a state recordation tax. This tax is imposed in the amount of 25 cents for every \$100 or fraction thereof of the consideration of the deed or the actual value of the property conveyed, whichever is greater. Quitclaim deeds are subject to the recordation tax at the same rate as above.

Proposal

The bill would establish an exemption from the recordation tax for quitclaim deed between a grantor and grantee when no consideration has passed between the parties, provided that such quitclaim deed shows on its face that no consideration has passed.

If enacted during the regular session of the 2024 General Assembly, this bill would become effective July 1, 2024.

cc : Secretary of Finance

Date: 1/25/2024 KS
HB414F161