

DEPARTMENT OF TAXATION

2024 Fiscal Impact Statement

1. **Patron** Joshua E. Thomas

2. **Bill Number** HB 574

3. **Committee** Passed House and Senate

House of Origin:
 Introduced
 Substitute
 Engrossed

4. **Title** Recordation and Grantor Taxes. Value of Interest Conveyed or Value of Interest

Second House:
 In Committee
 Substitute
 X Enrolled

5. **Summary/Purpose:**

This bill would provide that, for the purpose of the recordation taxes, the “value of the property conveyed” or “value of the interest” would mean the most recent property tax assessment for such property at the time the property is conveyed. This would apply to all recordation taxes set out in Chapter 8 of Title 58.1.

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:** Unknown (See Line 8.)

8. **Fiscal implications:**

Administrative Costs

The Department of Taxation (“the Department”) considers implementation of this bill as routine and does not require additional funding. This bill would have an unknown impact on costs for clerk of circuit court offices and localities.

Revenue Impact

This bill would have an unknown impact on state and local revenue from the recordation tax. When real estate values are increasing, the assessed value is often lower than the fair market value which would reduce the recordation tax collected. However, the reverse may happen when real estate values are declining. Market forces vary among localities and even within localities. Therefore, it is unknown whether this bill would have a positive or negative impact on state and local recordation tax revenues.

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

Department of Taxation

All localities

10. Technical amendment necessary: No.

11. Other comments:

Recordation Taxes

Every deed and certain documents conveying an interest in real estate are subject to state and local recordation taxes when recorded by the clerk of the local Circuit Court. In addition to the clerk's fee (tied to the number of pages recorded), the following recordation taxes would potentially be affected by the clarification under this bill:

- Recordation taxes and fees on deeds:
 - \$0.25 per \$100 of the greater of consideration or actual value. A local recordation tax equal to one-third of the state tax is also imposed.
 - Grantor's tax of \$0.50 per \$500 of the greater of consideration or actual value exclusive of the value of any lien or encumbrance remaining thereon at the time of the sale. The revenue is split 50/50 with the locality.
 - Regional WMATA capital fee of \$0.10 per \$100 of the greater of consideration or actual value exclusive of the value of any lien or encumbrance remaining thereon at the time of the sale. The fee is imposed in localities that are members of the Northern Virginia Transportation Authority. Revenue supports transportation in the locality or transportation district.
 - Regional congestion relief fee of \$0.10 per \$100 of the greater of consideration or actual value exclusive of the value of any lien or encumbrance remaining thereon at the time of the sale. The fee is imposed in certain planning districts.
 - Regional transportation improvement fee of \$0.06 per \$100 of the greater of consideration or actual value exclusive of the value of any lien or encumbrance remaining thereon at the time of the sale. The fee is imposed in a transportation district in Hampton Roads. Revenue supports the transportation district.
- Recordation tax on deeds of trust (including construction loans): \$0.25 per \$100 on bonds or other obligations secured, or the actual value if the amount secured is not ascertainable. The tax may be prorated or reduced in certain circumstances. A local recordation tax equal to one-third of the state tax is also imposed.
- Recordation tax on leases: \$0.25 per \$100 of the annual rent multiplied by the term, limited to the actual value. A local recordation tax equal to one-third of the state tax is also imposed.

Proposal

This bill would provide that, for the purpose of the recordation taxes, the "value of the property conveyed" or "value of the interest" would mean the most recent property tax assessment for such property at the time the property is conveyed. This would apply to all recordation taxes set out in Chapter 8 of Title 58.1.

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cc : Secretary of Finance

Date: 2/28/2024 KS
HB574FER161