

2021 -- S 0365 SUBSTITUTE A

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LC001610/SUB A/2
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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2021

A N A C T

RELATING TO TAXATION -- REAL ESTATE CONVEYANCE TAX

Introduced By: Senators Kallman, Murray, Goodwin, Cano, Ruggerio, Euer, Acosta,
Seveney, and Mack

Date Introduced: February 25, 2021

Referred To: Senate Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Sections 44-25-1 and 44-25-2 of the General Laws in Chapter 44-25 entitled
2 "Real Estate Conveyance Tax" are hereby amended to read as follows:

3 **44-25-1. Tax imposed -- Payment -- Burden.**

4 (a) There is imposed, on each deed, instrument, or writing by which any lands, tenements,
5 or other realty sold is granted, assigned, transferred, or conveyed to, or vested in, the purchaser or
6 purchasers, or any other person or persons, by his or her or their direction, or on any grant,
7 assignment, transfer, or conveyance or such vesting, by such persons which has the effect of making
8 any real estate company an acquired real estate company, when the consideration paid exceeds one
9 hundred dollars (\$100), a tax at the rate of two dollars and thirty cents (\$2.30) for each five hundred
10 dollars (\$500), or fractional part of it ~~which, that~~ is paid for the purchase of property or the interest
11 in an acquired real estate company (inclusive of the value of any lien or encumbrance remaining at
12 the time of the sale, grant, assignment, transfer or conveyance or vesting occurs, or in the case of
13 an interest in an acquired real estate company, a percentage of the value of such lien or encumbrance
14 equivalent to the percentage interest in the acquired real estate company being granted, assigned,
15 transferred, conveyed or vested), ~~which, The~~ tax is payable at the time of making, the execution,
16 delivery, acceptance or presentation for recording of any instrument affecting such transfer grant,
17 assignment, transfer, conveyance or vesting. In the absence of an agreement to the contrary, the tax
18 shall be paid by the grantor, assignor, transferor or person making the conveyance or vesting.

19 **(b) In addition to the tax imposed by subsection (a) of this section, there is imposed, on**

1 each deed, instrument, or writing by which any residential real property sold is granted, assigned,
2 transferred, or conveyed to, or vested in, the purchaser or purchasers, or any person or persons, by
3 his or her or their discretion, or on any grant, assignment, transfer, or conveyance or such vesting,
4 by such persons which has the effect of making any real estate company an acquired real estate
5 company, when the consideration paid exceeds eight hundred thousand dollars (\$800,000), a tax at
6 the rate of two dollars and thirty cents (\$2.30) for each five hundred dollars (\$500), or fractional
7 part of it, of the consideration in excess of eight hundred thousand dollars (\$800,000) that is paid
8 for the purchase of property or the interest in an acquired real estate company (inclusive of the
9 value of any lien or encumbrance remaining at the time of the sale, grant, assignment, transfer or
10 conveyance or vesting occurs, or in the case of an interest in an acquired real estate company, a
11 percentage of the value of such lien or encumbrance equivalent to the percentage interest in the
12 acquired real estate company being granted, assigned, transferred, conveyed or vested.) The tax
13 imposed by this subsection shall be paid at the same time and in the same manner as the tax imposed
14 by subsection (a) of this section.

15 ~~(b)~~(c) In the event no consideration is actually paid for the lands, tenements, or realty, the
16 instrument or interest in an acquired real estate company of conveyance shall contain a statement
17 to the effect that the consideration is such that no documentary stamps are required.

18 ~~(e)(d) The tax administrator shall contribute~~ The tax shall be distributed as follows:

19 (i) With respect to the tax imposed by subsection (a) of this section, the tax administrator
20 shall contribute to the distressed community relief program the sum of thirty cents (\$.30) per two
21 dollars and thirty cents (\$2.30) of the face value of the stamps to be distributed pursuant to § 45-
22 13-12, and to the housing resources commission restricted receipts account the sum of thirty cents
23 (\$.30) per two dollars and thirty cents (\$2.30) of the face value of the stamps. Funds will be
24 administered by the office of housing and community development, through the housing resources
25 commission. The state shall retain sixty cents (\$.60) for state use. The balance of the tax shall be
26 retained by the municipality collecting the tax.

27 (ii) With respect to the tax imposed by subsection (b) of this section, the tax administrator
28 shall contribute the entire tax to the housing production fund established pursuant to § 42-128-2.1.

29 (iii) Notwithstanding the above, in the case of the tax on the grant, transfer, assignment or
30 conveyance or vesting with respect to an acquired real estate company, the tax shall be collected
31 by the tax administrator and shall be distributed to the municipality where the real estate owned by
32 the acquired real estate company is located provided, however, in the case of any such tax collected
33 by the tax administrator, if the acquired real estate company owns property located in more than
34 one municipality, the proceeds of the tax shall be allocated amongst said municipalities in the

1 proportion the assessed value of said real estate in each such municipality bears to the total of the
2 assessed values of all of the real estate owned by the acquired real estate company in Rhode Island.
3 Provided, however, in fiscal years 2004 and 2005, from the proceeds of this tax, the tax
4 administrator shall deposit as general revenues the sum of ninety cents (\$.90) per two dollars and
5 thirty cents (\$2.30) of the face value of the stamps. The balance of the tax on the purchase of
6 property shall be retained by the municipality collecting the tax. The balance of the tax on the
7 transfer with respect to an acquired real estate company, shall be collected by the tax administrator
8 and shall be distributed to the municipality where the property for which interest is sold is
9 physically located. Provided, however, that in the case of any tax collected by the tax administrator
10 with respect to an acquired real estate company where the acquired real estate company owns
11 property located in more than one municipality, the proceeds of the tax shall be allocated amongst
12 the municipalities in proportion that the assessed value in any such municipality bears to the
13 assessed values of all of the real estate owned by the acquired real estate company in Rhode Island.

14 ~~(d)~~(e) For purposes of this section, the term "acquired real estate company" means a real
15 estate company that has undergone a change in ownership interest if (i) such change does not affect
16 the continuity of the operations of the company; and (ii) the change, whether alone or together with
17 prior changes has the effect of granting, transferring, assigning or conveying or vesting, transferring
18 directly or indirectly, 50% or more of the total ownership in the company within a period of three
19 (3) years. For purposes of the foregoing subsection (ii) hereof, a grant, transfer, assignment or
20 conveyance or vesting, shall be deemed to have occurred within a period of three (3) years of
21 another grant(s), transfer(s), assignment(s) or conveyance(s) or vesting(s) if during the period the
22 granting, transferring, assigning or conveying or party provides the receiving party a legally binding
23 document granting, transferring, assigning or conveying or vesting said realty or a commitment or
24 option enforceable at a future date to execute the grant, transfer, assignment or conveyance or
25 vesting.

26 ~~(e)~~(f) A real estate company is a corporation, limited liability company, partnership or other
27 legal entity which meets any of the following:

28 (i) Is primarily engaged in the business of holding, selling or leasing real estate, where 90%
29 or more of the ownership of said real estate is held by 35 or fewer persons and which company
30 either (a) derives 60% or more of its annual gross receipts from the ownership or disposition of real
31 estate; or (b) owns real estate the value of which comprises 90% or more of the value of the entity's
32 entire tangible asset holdings exclusive of tangible assets which are fairly transferrable and actively
33 traded on an established market; or

34 (ii) 90% or more of the ownership interest in such entity is held by 35 or fewer persons and

1 the entity owns as 90% or more of the fair market value of its assets a direct or indirect interest in
2 a real estate company. An indirect ownership interest is an interest in an entity 90% or more of
3 which is held by 35 or fewer persons and the purpose of the entity is the ownership of a real estate
4 company.

5 ~~(f)~~(g) In the case of a grant, assignment, transfer or conveyance or vesting which results in
6 a real estate company becoming an acquired real estate company, the grantor, assignor, transferor,
7 or person making the conveyance or causing the vesting, shall file or cause to be filed with the
8 division of taxation, at least five (5) days prior to the grant, transfer, assignment or conveyance or
9 vesting, notification of the proposed grant, transfer, assignment, or conveyance or vesting, the price,
10 terms and conditions of thereof, and the character and location of all of the real estate assets held
11 by real estate company and shall remit the tax imposed and owed pursuant to subsection (a) hereof.
12 Any such grant, transfer, assignment or conveyance or vesting which results in a real estate
13 company becoming an acquired real estate company shall be fraudulent and void as against the
14 state unless the entity notifies the tax administrator in writing of the grant, transfer, assignment or
15 conveyance or vesting as herein required in ~~subsection (f)~~ [this subsection](#) hereof and has paid the
16 tax as required in subsection (a) hereof. Upon the payment of the tax by the transferor, the tax
17 administrator shall issue a certificate of the payment of the tax which certificate shall be recordable
18 in the land evidence records in each municipality in which such real estate company owns real
19 estate. Where the real estate company has assets other than interests in real estate located in Rhode
20 Island, the tax shall be based upon the assessed value of each parcel of property located in each
21 municipality in the state of Rhode Island.

22 **44-25-2. Exemptions.**

23 (a) The tax imposed by this chapter does not apply to any instrument or writing given to
24 secure a debt.

25 (b) The tax imposed by this chapter does not apply to any deed, instrument, or writing
26 wherein the United States, the state of Rhode Island, or its political subdivisions are designated the
27 grantor.

28 (c) The tax imposed by this chapter does not apply to any deed, instrument, or writing that
29 has or shall be executed, delivered, accepted, or presented for recording in furtherance of, or
30 pursuant to, that certain master property conveyance contract dated December 29, 1982, and
31 recorded in the land evidence records of the city of Providence on January 27, 1983, at 1:30 p.m.
32 in book 1241 at page 849, and relating to the capital center project in the city of Providence.

33 (d) The qualified sale of a mobile or manufactured home community to a resident-owned
34 organization as defined in § 31-44-1 is exempt from the real estate conveyance tax imposed under

1 this chapter.

2 (e) No transfer tax or fee shall be imposed by a land trust or municipality upon the
3 acquisition of real estate by the state of Rhode Island or any of its political subdivisions.

4 (f) Nothing in § 44-25-1(a) shall be construed to impose a tax upon any grant, assignment,
5 transfer, conveyance or vesting of any interest, direct or indirect, among owners, members or
6 partners in any real estate company with respect to an affordable housing development where:

7 (i) The housing development has been financed in whole or in part with federal low-income
8 housing tax credits pursuant to §42 of the Internal Revenue Code; or

9 (ii) At least one of the owners, members or partners of the company is a Rhode Island
10 nonprofit corporation or an entity exempt from tax under § 501(c)(3) of the Internal Revenue Code,
11 or is owned by a Rhode Island nonprofit corporation or an entity that is exempt from tax under §
12 501(c)(3) of the Internal Revenue Code, and the housing development is subject to a recorded deed
13 restriction or declaration of land use restrictive covenants in favor of the Rhode Island housing and
14 mortgage finance corporation, the state of Rhode Island housing resources commission, the federal
15 home loan bank or any of its members, or any other state or local government instrumentality under
16 an affordable housing program. No such real estate company shall be an acquired real estate
17 company under this section.

18 SECTION 2. The provisions of section 44-25-1 of this act shall take effect on January 1,
19 2022 and the provisions of section 44-25-2 shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
A N A C T
RELATING TO TAXATION -- REAL ESTATE CONVEYANCE TAX

1 This act would provide that a portion of the real estate conveyance tax be apportioned to a
2 newly established restricted receipt account known as the housing production fund.

3 The provisions of section 44-25-1 of this act would take effect on January 1, 2022 and the
4 provisions of section 44-25-2 would take effect upon passage.

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