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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2024

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A N A C T

RELATING TO TAXATION -- REAL ESTATE CONVEYANCE TAX

Introduced By: Senators Gu, Kallman, Mack, Burke, Valverde, Bissaillon, Lawson, and DiPalma

Date Introduced: February 12, 2024

Referred To: Senate Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 44-25-1 of the General Laws in Chapter 44-25 entitled "Real Estate
2 Conveyance Tax" is 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, her, or their direction, or on any grant,
7 assignment, transfer, or conveyance or such vesting, by such persons that 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, that is paid for the purchase of property or the interest in an
11 acquired real estate company (inclusive of the value of any lien or encumbrance remaining at the
12 time the sale, grant, assignment, transfer or conveyance or vesting occurs, or in the case of an
13 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). The tax is payable at the time of making, the execution, delivery,
16 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), there is imposed, on each deed,

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

15 (c) In addition to the taxes imposed by subsections (a) and (b) of this section, upon
16 enactment of a local ordinance, a municipality may impose, on each deed, instrument, or writing
17 by which any sold residential real property located in that municipality is granted, assigned,
18 transferred, or conveyed to, or vested in, the purchaser or purchasers, or any other person or
19 persons, by his, her, or their direction, or on any grant, assignment, transfer, or conveyance or such
20 vesting, by such persons that has the effect of making any real estate company an acquired real
21 estate company, when the consideration paid exceeds eight hundred thousand dollars (\$800,000),
22 a tax of not more than ten dollars (\$10.00) for each five hundred dollars (\$500), or fractional part
23 of it, of the consideration in excess of eight hundred thousand dollars (\$800,000) that is paid for
24 the purchase of property or the interest in an acquired real estate company (inclusive of the value
25 of any lien or encumbrance remaining at the time the sale, grant, assignment, transfer, or
26 conveyance or vesting occurs, or in the case of an interest in an acquired real estate company, a
27 percentage of the value of such lien or encumbrance equivalent to the percentage interest in the
28 acquired real estate company being granted, assigned, transferred, conveyed, or vested). The tax
29 imposed by this subsection shall be paid at the same time and in the same manner as the tax imposed
30 by subsection (a) of this section.

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

34 ~~(d)~~(e) The tax shall be distributed as follows:

1 (1) With respect to the tax imposed by subsection (a): the tax administrator shall contribute
2 to the distressed community relief program the sum of thirty cents (\$.30) per two dollars and thirty
3 cents (\$2.30) of the face value of the stamps to be distributed pursuant to § 45-13-12, and to the
4 housing resources commission restricted receipts account the sum of thirty cents (\$.30) per two
5 dollars and thirty cents (\$2.30) of the face value of the stamps. Funds will be administered by the
6 office of housing and community development, through the housing resources commission. The
7 state shall retain sixty cents (\$.60) for state use. The balance of the tax shall be retained by the
8 municipality collecting the tax.

9 (2) With respect to the tax imposed by subsection (b): the tax administrator shall contribute
10 the entire tax to the housing production fund established pursuant to § 42-128-2.1.

11 (3) With respect to the tax imposed by subsection (c) of this section, the municipality shall
12 retain the tax collected and deposit it into restricted accounts that shall be allocated and spent only
13 for the creation and development of affordable housing, as defined in § 42-128-8.1, within the
14 municipality serving individuals or families at or below eighty percent (80%) of the area median
15 income. The municipality shall maintain a local affordable housing board to oversee the funds in
16 the restricted accounts and shall allocate the funds within two (2) years. The municipality shall
17 include in the housing element of their local comprehensive plan, if applicable, the process it will
18 use to allocate the funds.

19 (4) As an alternative to the provisions of subsection (e)(3) of this section, the municipality
20 may elect to transfer tax collections promptly upon receipt or within the two-year (2) period after
21 receipt to the housing resources commission, the Rhode Island department of housing, or Rhode
22 Island Housing, for the purpose of developing affordable housing within that community.

23 ~~(3)~~(5) Notwithstanding the above, in the case of the tax on the grant, transfer, assignment
24 or conveyance or vesting with respect to an acquired real estate company, the tax shall be collected
25 by the tax administrator and shall be distributed to the municipality where the real estate owned by
26 the acquired real estate company is located; provided, however, in the case of any such tax collected
27 by the tax administrator, if the acquired real estate company owns property located in more than
28 one municipality, the proceeds of the tax shall be allocated amongst said municipalities in the
29 proportion the assessed value of said real estate in each such municipality bears to the total of the
30 assessed values of all of the real estate owned by the acquired real estate company in Rhode Island.
31 Provided, however, in fiscal years 2004 and 2005, from the proceeds of this tax, the tax
32 administrator shall deposit as general revenues the sum of ninety cents (\$.90) per two dollars and
33 thirty cents (\$2.30) of the face value of the stamps. The balance of the tax on the purchase of
34 property shall be retained by the municipality collecting the tax. The balance of the tax on the

1 transfer with respect to an acquired real estate company, shall be collected by the tax administrator
2 and shall be distributed to the municipality where the property for which interest is sold is
3 physically located. Provided, however, that in the case of any tax collected by the tax administrator
4 with respect to an acquired real estate company where the acquired real estate company owns
5 property located in more than one municipality, the proceeds of the tax shall be allocated amongst
6 the municipalities in proportion that the assessed value in any such municipality bears to the
7 assessed values of all of the real estate owned by the acquired real estate company in Rhode Island.

8 ~~(e)~~(f) For purposes of this section, the term “acquired real estate company” means a real
9 estate company that has undergone a change in ownership interest if (1) The change does not affect
10 the continuity of the operations of the company; and (2) The change, whether alone or together
11 with prior changes has the effect of granting, transferring, assigning, or conveying or vesting,
12 transferring directly or indirectly, 50% or more of the total ownership in the company within a
13 period of three (3) years. For purposes of the foregoing subsection (e)(2), a grant, transfer,
14 assignment, or conveyance or vesting, shall be deemed to have occurred within a period of three
15 (3) years of another grant(s), transfer(s), assignment(s), or conveyance(s) or vesting(s) if during the
16 period the granting, transferring, assigning, or conveying party provides the receiving party a
17 legally binding document granting, transferring, assigning, or conveying or vesting the realty or a
18 commitment or option enforceable at a future date to execute the grant, transfer, assignment, or
19 conveyance or vesting.

20 ~~(f)~~(g) A real estate company is a corporation, limited liability company, partnership, or
21 other legal entity that meets any of the following:

22 (1) Is primarily engaged in the business of holding, selling, or leasing real estate, where
23 90% or more of the ownership of the real estate is held by 35 or fewer persons and which company
24 either (i) derives 60% or more of its annual gross receipts from the ownership or disposition of real
25 estate; or (ii) owns real estate the value of which comprises 90% or more of the value of the entity’s
26 entire tangible asset holdings exclusive of tangible assets that are fairly transferrable and actively
27 traded on an established market; or

28 (2) Ninety percent or more of the ownership interest in such entity is held by 35 or fewer
29 persons and the entity owns as 90% or more of the fair market value of its assets a direct or indirect
30 interest in a real estate company. An indirect ownership interest is an interest in an entity 90% or
31 more of which is held by 35 or fewer persons and the purpose of the entity is the ownership of a
32 real estate company.

33 ~~(g)~~(h) In the case of a grant, assignment, transfer or conveyance or vesting that results in a
34 real estate company becoming an acquired real estate company, the grantor, assignor, transferor, or

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

15 SECTION 2. This act 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 allow a municipality to set an additional conveyance tax rate of not more
2 than ten dollars (\$10.00) for each five hundred dollars (\$500), or fractional part of that amount, of
3 the consideration in excess of eight hundred thousand dollars (\$800,000). This act would also
4 require that the excess conveyance taxes collected alternatively be deposited in a restricted account
5 and distributed within two (2) years, to be used only for affordable housing for individuals or
6 families at or below eighty percent (80%) of the area median income or transferred to state housing
7 agencies for use in the community to develop affordable housing.

8 This act would take effect upon passage.

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