

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2024

A N A C T

RELATING TO TAXATION -- REAL ESTATE CONVEYANCE TAX

Introduced By: Representatives Cotter, Speakman, McGaw, Kazarian, Donovan, Spears,
Potter, Alzate, Kislak, and Morales

Date Introduced: January 19, 2024

Referred To: House 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, 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) but is equal to or
6 less than two million dollars (\$2,000,000), a tax at the rate of two dollars and thirty cents (\$2.30)
7 for each five hundred dollars (\$500), or fractional part of it, of the consideration in excess of eight
8 hundred thousand dollars (\$800,000) that is paid for the purchase of property or the interest in an
9 acquired real estate company (inclusive of the value of any lien or encumbrance remaining at the
10 time the sale, grant, assignment, transfer, or conveyance or vesting occurs, or in the case of an
11 interest in an acquired real estate company, a percentage of the value of such lien or encumbrance
12 equivalent to the percentage interest in the acquired real estate company being granted, assigned,
13 transferred, conveyed, or vested). The tax imposed by this subsection shall be paid at the same time
14 and in the same manner as the tax imposed by subsection (a).

15 (c) In addition to the tax imposed by subsections (a) and (b) of this section, there is
16 imposed, on each deed, instrument, or writing by which any residential real property sold is granted,
17 assigned, transferred, or conveyed to, or vested in, the purchaser or purchasers, or any other person
18 or persons, by his, her, or their direction, or on any grant, assignment, transfer, or conveyance or
19 such vesting, by such persons that has the effect of making any real estate company an acquired
20 real estate company, when the consideration paid exceeds two million dollars (\$2,000,000), a tax
21 at the rate of three dollars and thirty cents (\$3.30) for each five hundred dollars (\$500), or fractional
22 part of it, of the consideration in excess of two million dollars (\$2,000,000) that is paid for the
23 purchase of property or the interest in an acquired real estate company (inclusive of the value of
24 any lien or encumbrance remaining at the time the sale, grant, assignment, transfer, or conveyance
25 or vesting occurs, or in the case of an interest in an acquired real estate company, a percentage of
26 the value of such lien or encumbrance equivalent to the percentage interest in the acquired real
27 estate company being granted, assigned, transferred, conveyed, or vested). The tax imposed by this
28 subsection shall be paid at the same time and in the same manner as the tax imposed by subsection
29 (a) of this section.

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

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

34 (1) With respect to the tax imposed by subsection (a): the tax administrator shall contribute

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

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

10 (3) With respect to the tax imposed by subsection (c) of this section, the tax administrator
11 shall contribute the entire tax to affordable housing for the elderly to be implemented and
12 administered by Rhode Island housing.

13 ~~(3)~~(4) Notwithstanding the above, in the case of the tax on the grant, transfer, assignment
14 or conveyance or vesting with respect to an acquired real estate company, the tax shall be collected
15 by the tax administrator and shall be distributed to the municipality where the real estate owned by
16 the acquired real estate company is located; provided, however, in the case of any such tax collected
17 by the tax administrator, if the acquired real estate company owns property located in more than
18 one municipality, the proceeds of the tax shall be allocated amongst said municipalities in the
19 proportion the assessed value of said real estate in each such municipality bears to the total of the
20 assessed values of all of the real estate owned by the acquired real estate company in Rhode Island.
21 Provided, however, in fiscal years 2004 and 2005, from the proceeds of this tax, the tax
22 administrator shall deposit as general revenues the sum of ninety cents (\$.90) per two dollars and
23 thirty cents (\$2.30) of the face value of the stamps. The balance of the tax on the purchase of
24 property shall be retained by the municipality collecting the tax. The balance of the tax on the
25 transfer with respect to an acquired real estate company, shall be collected by the tax administrator
26 and shall be distributed to the municipality where the property for which interest is sold is
27 physically located. Provided, however, that in the case of any tax collected by the tax administrator
28 with respect to an acquired real estate company where the acquired real estate company owns
29 property located in more than one municipality, the proceeds of the tax shall be allocated amongst
30 the municipalities in proportion that the assessed value in any such municipality bears to the
31 assessed values of all of the real estate owned by the acquired real estate company in Rhode Island.

32 ~~(e)~~(f) For purposes of this section, the term “acquired real estate company” means a real
33 estate company that has undergone a change in ownership interest if (1) The change does not affect
34 the continuity of the operations of the company; and (2) The change, whether alone or together

1 with prior changes has the effect of granting, transferring, assigning, or conveying or vesting,
2 transferring directly or indirectly, 50% or more of the total ownership in the company within a
3 period of three (3) years. For purposes of the foregoing ~~subsection (e)(2)~~, a grant, transfer,
4 assignment, or conveyance or vesting, shall be deemed to have occurred within a period of three
5 (3) years of another grant(s), transfer(s), assignment(s), or conveyance(s) or vesting(s) if during the
6 period the granting, transferring, assigning, or conveying party provides the receiving party a
7 legally binding document granting, transferring, assigning, or conveying or vesting the realty or a
8 commitment or option enforceable at a future date to execute the grant, transfer, assignment, or
9 conveyance or vesting.

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

12 (1) Is primarily engaged in the business of holding, selling, or leasing real estate, where
13 90% or more of the ownership of the real estate is held by 35 or fewer persons and which company
14 either (i) derives 60% or more of its annual gross receipts from the ownership or disposition of real
15 estate; or (ii) owns real estate the value of which comprises 90% or more of the value of the entity's
16 entire tangible asset holdings exclusive of tangible assets that are fairly transferrable and actively
17 traded on an established market; or

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

23 ~~(e)~~(h) In the case of a grant, assignment, transfer or conveyance or vesting that results in a
24 real estate company becoming an acquired real estate company, the grantor, assignor, transferor, or
25 person making the conveyance or causing the vesting, shall file or cause to be filed with the division
26 of taxation, at least five (5) days prior to the grant, transfer, assignment, or conveyance or vesting,
27 notification of the proposed grant, transfer, assignment, or conveyance or vesting, the price, terms
28 and conditions thereof, and the character and location of all of the real estate assets held by the real
29 estate company and shall remit the tax imposed and owed pursuant to subsection (a). Any such
30 grant, transfer, assignment, or conveyance or vesting which results in a real estate company
31 becoming an acquired real estate company shall be fraudulent and void as against the state unless
32 the entity notifies the tax administrator in writing of the grant, transfer, assignment, or conveyance
33 or vesting as herein required in subsection (g) and has paid the tax as required in subsection (a).
34 Upon the payment of the tax by the transferor, the tax administrator shall issue a certificate of the

1 payment of the tax which certificate shall be recordable in the land evidence records in each
2 municipality in which such real estate company owns real estate. Where the real estate company
3 has assets other than interests in real estate located in Rhode Island, the tax shall be based upon the
4 assessed value of each parcel of property located in each municipality in the state of Rhode Island.

5 **44-25-2. Exemptions.**

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

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

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

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

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

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

24 (1) The housing development has been financed in whole or in part with federal low-
25 income housing tax credits pursuant to § 42 of the Internal Revenue Code [26 U.S.C. § 42]; or

26 (2) At least one of the owners, members, or partners of the company is a Rhode Island
27 nonprofit corporation or an entity exempt from tax under § 501(c)(3) of the Internal Revenue Code,
28 or is owned by a Rhode Island nonprofit corporation or an entity that is exempt from tax under §
29 501(c)(3) of the Internal Revenue Code, and the housing development is subject to a recorded deed
30 restriction or declaration of land use restrictive covenants in favor of the Rhode Island housing and
31 mortgage finance corporation, the state of Rhode Island housing resources commission, the federal
32 home loan bank or any of its members, or any other state or local government instrumentality under
33 an affordable housing program. No such real estate company shall be an acquired real estate
34 company under this section.

1 (g) Nothing in § 44-25-1 shall be construed to impose a tax upon any grant, assignment,
2 transfer, conveyance, or vesting of any interest, direct or indirect, among owners, members, or
3 partners in any real estate company with respect to affordable housing for the elderly as
4 administered by Rhode Island housing.

5 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 increase the real estate conveyance tax for residential properties sold in
2 excess of two million dollars (\$2,000,000) to a tax rate of three dollars and thirty cents (\$3.30) for
3 each five hundred dollars (\$500) or fractional part thereof, to be exclusively used for affordable
4 housing for the elderly to be implemented and administered by Rhode Island housing. This act
5 would further provide an exemption for any grant, assignment, transfer, conveyance, or vesting of
6 any interest, direct or indirect, among owners, members, or partners in any real estate company
7 with respect to affordable housing for the elderly.

8 This act would take effect upon passage.

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