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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2025

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A N A C T

RELATING TO TAXATION -- REAL ESTATE CONVEYANCE TAX

Introduced By: Representative Arthur Handy

Date Introduced: April 23, 2025

Referred To: House 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  
18   tax 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) There is imposed, on each deed, instrument, or writing by which any commercial real  
16 property sold is granted, assigned, transferred, or conveyed to, or vested in, the purchaser or  
17 purchasers, or any other person or persons, by his, her, or their direction, or on any grant,  
18 assignment, transfer, or conveyance or such vesting, by such persons that has the effect of making  
19 any real estate company an acquired real estate company, when the consideration paid exceeds one  
20 million five hundred thousand dollars (\$1,500,000), a tax at the rate of three dollars and thirteen  
21 cents (\$3.13) for each five hundred dollars (\$500), or fractional part of it, of the consideration in  
22 excess of one million five hundred thousand dollars (\$1,500,000) that is paid for the purchase of  
23 commercial real property or the interest in an acquired real estate company (inclusive of the value  
24 of any lien or encumbrance remaining at the time the sale, grant, assignment, transfer, or  
25 conveyance or vesting occurs, or in the case of an interest in an acquired real estate company, a  
26 percentage of the value of such lien or encumbrance equivalent to the percentage interest in the  
27 acquired real estate company being granted, assigned, transferred, conveyed, or vested). The tax  
28 imposed by this subsection shall be paid at the same time and in the same manner as the tax imposed  
29 by subsections (a) and (b).

30 ~~(d)~~(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 ~~(e)~~(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 and homelessness restricted receipt account established pursuant to § 42-128-2  
4 the sum of thirty cents (\$.30) per two dollars and thirty cents (\$2.30) of the face value of the stamps.  
5 The state shall retain sixty cents (\$.60) for state use. The balance of the tax shall be retained by the  
6 municipality collecting the tax.

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

9 (3) With respect to the tax imposed by subsection (c): the tax administrator shall contribute  
10 the entire tax to the Housing Resources and Homelessness restricted receipt account established  
11 pursuant to § 42-128-2(3).

12 ~~(3)~~(4) Notwithstanding the above, in the case of the tax on the grant, transfer, assignment,  
13 or conveyance or vesting with respect to an acquired real estate company, the tax shall be collected  
14 by the tax administrator and shall be distributed to the municipality where the real estate owned by  
15 the acquired real estate company is located; provided, however, in the case of any such tax collected  
16 by the tax administrator, if the acquired real estate company owns property located in more than  
17 one municipality, the proceeds of the tax shall be allocated amongst said municipalities in the  
18 proportion the assessed value of said real estate in each such municipality bears to the total of the  
19 assessed values of all of the real estate owned by the acquired real estate company in Rhode Island.  
20 Provided, however, in fiscal years 2004 and 2005, from the proceeds of this tax, the tax  
21 administrator shall deposit as general revenues the sum of ninety cents (\$.90) per two dollars and  
22 thirty cents (\$2.30) of the face value of the stamps. The balance of the tax on the purchase of  
23 property shall be retained by the municipality collecting the tax. The balance of the tax on the  
24 transfer with respect to an acquired real estate company, shall be collected by the tax administrator  
25 and shall be distributed to the municipality where the property for which interest is sold is  
26 physically located. Provided, however, that in the case of any tax collected by the tax administrator  
27 with respect to an acquired real estate company where the acquired real estate company owns  
28 property located in more than one municipality, the proceeds of the tax shall be allocated amongst  
29 the municipalities in proportion that the assessed value in any such municipality bears to the  
30 assessed values of all of the real estate owned by the acquired real estate company in Rhode Island.

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

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

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

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

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

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

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

4             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

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- 1           This act would provide for an additional real estate conveyance tax of three dollars and  
2   thirteen cents (\$3.13) for commercial properties sold in excess of one million five hundred thousand  
3   dollars (\$1,500,000) for each five hundred dollars (\$500), or factional part thereof over that amount.  
4           This act would take effect upon passage.

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