

2015 -- S 0651 SUBSTITUTE A

LC002078/SUB A

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2015

A N A C T

RELATING TO TAXATION -- REAL ESTATE CONVEYANCE TAX

Introduced By: Senators Goldin, Goodwin, Ruggerio, DaPonte, and Miller

Date Introduced: March 11, 2015

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

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

4 (c) The tax administrator shall contribute to the distressed community relief program the
5 sum of thirty cents (\$.30) per two dollars and thirty cents (\$2.30) of the face value of the stamps
6 to be distributed pursuant to § 45-13-12, and to the housing resources commission restricted
7 receipts account the sum of thirty cents (\$.30) per two dollars and thirty cents (\$2.30) of the face
8 value of the stamps. Funds will be administered by the ~~department of administration~~, office of
9 housing and community development, through the housing resources commission. The state shall
10 retain sixty cents (\$.60) for state use. The balance of the tax shall be retained by the municipality
11 collecting the tax. Notwithstanding the above, in the case of the tax on the grant, transfer,
12 assignment or conveyance or vesting with respect to an acquired real estate company, the tax
13 shall be collected by the tax administrator and shall be distributed to the municipality where the
14 real estate owned by the acquired real estate company is located provided, however, in the case of
15 any such tax collected by the tax administrator, if the acquired real estate company owns property
16 located in more than one municipality, the proceeds of the tax shall be allocated amongst said
17 municipalities in the proportion the assessed value of said real estate in each such municipality
18 bears to the total of the assessed values of all of the real estate owned by the acquired real estate
19 company in Rhode Island. Provided, however, in fiscal years 2004 and 2005, from the proceeds
20 of this tax, the tax administrator shall deposit as general revenues the sum of ninety cents (\$.90)
21 per two dollars and thirty cents (\$2.30) of the face value of the stamps. The balance of the tax on
22 the purchase of property shall be retained by the municipality collecting the tax. The balance of
23 the tax on the transfer with respect to an acquired real estate company, shall be collected by the
24 tax administrator and shall be distributed to the municipality where the property for which interest
25 is sold is physically located. Provided, however, that in the case of any tax collected by the tax
26 administrator with respect to an acquired real estate company where the acquired real estate
27 company owns property located in more than one municipality, the proceeds of the tax shall be
28 allocated amongst the municipalities in proportion that the assessed value in any such
29 municipality bears to the assessed values of all of the real estate owned by the acquired real estate
30 company in Rhode Island.

31 (d) 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 (i) such change does not
33 affect the continuity of the operations of the company; and (ii) the change, whether alone or
34 together with prior changes has the effect of granting, transferring, assigning or conveying or

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

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

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

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

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

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

5 SECTION 2. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
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RELATING TO TAXATION -- REAL ESTATE CONVEYANCE TAX

1 This act would impose the real estate conveyance tax upon any grant, assignment,
2 transfer or conveyance which would have the effect of making any real estate company an
3 acquired real estate company. An acquired real estate company is defined as a real estate
4 company which has gone through certain specified changes in ownership. In the case of the tax
5 on a conveyance with respect to an acquired real estate company, the tax would be distributed to
6 the municipalities where the acquired real estate company owns property.

7 This act would take effect upon passage.

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