Rhode Island Department of Revenue
Division of Taxation

July 7, 2021

TO REAL ESTATE OWNERS, BUYERS, AGENTS, AND OTHERS: NOTICE ABOUT CHANGE IN REAL ESTATE CONVEYANCE TAX

This Notice is to inform you that, as a result of legislation enacted in the 2021 session of the Rhode Island General Assembly, Rhode Island's real estate conveyance tax under Rhode Island General Laws Chapter 44-25 will change, effective January 1, 2022.[1]

In general, the real estate conveyance tax applies when real estate changes hands.

Under current law, the tax is equal to two dollars and thirty cents ($2.30) for each five hundred dollars ($500.00) or fractional part thereof that is paid for the purchase of real estate or the interest in an acquired real estate company.

Under the law as amended, effective January 1, 2022, an additional two dollars and thirty cents ($2.30) will apply for each five hundred dollars ($500.00), or fractional part thereof, in consideration that is paid above $800,000.00 for the purchase of the property or the interest in an acquired real estate company.

Although the new law involving the real estate conveyance tax does not take effect until January 1, 2022, the Division of Taxation is posting this Notice now to provide stakeholders ample time to plan ahead.

Rhode Island real estate conveyance tax at a glance* (effective January 1, 2022)

TAX RATE:	APPLIES TO:
$2.30 for each $500.00 of . . .	. . . the entire consideration paid
$2.30 for each $500.00 of . . .	. . . the consideration paid in excess of $800,000.00

* No tax applies if the consideration is $100.00 or less. If the consideration exceeds $100.00, tax applies to the entire amount. See Rhode Island General Laws Chapter 44-25 ("Real Estate Conveyance Tax") as amended in General Assembly 2021 session.

The following pages provide examples of how the tax will apply, as well as details on how the revenue will be allocated, and information about exemptions.[2]

[1] House Bill 6122, Substitute A, as amended: http://webserver.rilin.state.ri.us/BillText/BillText21/HouseText21/H6122Aaa.pdf.

[2] Dollar amounts are rounded in some examples.

Example

If real estate is sold for ($300,000.00), the Rhode Island real estate conveyance tax under the new law will be $1,380.00, the same as under prior law: ($300,000.00 ÷ $500.00) × $2.30 = $1,380.00.[3]

Example

Under the old law, if real estate sold for $900,000.00, the Rhode Island real estate conveyance tax was $4,140.00, calculated as follows: ($900,000.00 ÷ $500.00) × $2.30 = $4,140.00.

Under the new law, effective January 1, 2022, the tax will be $4,600.00, calculated in two steps:

A) A tax rate of $2.30 (applied using the usual formula) on the entire consideration of $900,000.00[4], and

B) A tax rate of $2.30 (applied using the usual formula) on the consideration above $800,000.00.[5]

Thus, in this example, the tax under letter A above is $4,140.00. The tax under letter B above is $460.00. Therefore, the combined total tax is $4,600.00. (Please see table below.)

Tax on $900,000.00 sale (under new law effective January 1, 2022)		
First step:	($900,000.00 ÷ $500.00) × $2.30 =	$4,140.00
Second step:	($900,000.00 - $800,000.00) ÷ $500.00 × $2.30 =	$460.00
Total		**$4,600.00**

Example

Under the old law, if real estate sold for $2,000,000.00, the Rhode Island real estate conveyance tax was $9,200.00: ($2,000,000.00 ÷ $500.00) × $2.30 = $9,200.00.

Under the new law, effective January 1, 2022, the tax will be $14,720.00, which is calculated in two steps:

A) A tax rate of $2.30 (applied using the usual formula) on the entire consideration of $2,000,000.00, and

B) A tax rate of $2.30 (applied using the usual formula) on the consideration above $800,000.00.

Thus, in this example, the tax under letter A above is $9,200.00. The tax under letter B above is $5,520.00. Therefore, the combined total tax is $4,600.00. (Please see table below.)

Tax on $2 million sale (under new law effective January 1, 2022)		
First step:	($2,000,000.00 ÷ $500.00) × $2.30 =	$9,200.00
Second step:	($2,000,000.00 - $800,000.00) ÷ $500.00 × $2.30 =	$5,520.00
Total		**$14,720.00**

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[3] The term "new law" as used in this Notice means the existing statutes -- Rhode Island General Laws Chapter 44-25 -- as amended in the General Assembly's 2021 session.

[4] Tax rate is applied for each $500.00, or fractional part of it, of the entire consideration paid for the purchase of property or the interest in an acquired real estate company.

[5] Tax rate is applied for each $500.00, or fractional part of it, of the consideration in excess of $800,000.00 that is paid for the purchase of property or the interest in an acquired real estate company.

Distribution of funds

As described on the first page of this notice, the new law sets forth the tax as follows:

A: The tax of two dollars and thirty cents ($2.30) for each five hundred dollars ($500.00) or fractional part thereof is applied to the entire consideration paid on the purchase of real estate or the interest in an acquired real estate company.

B: An additional two dollars and thirty cents ($2.30) will apply for each five hundred dollars ($500.00), or fractional part thereof, in consideration that is paid above $800,000.00 for the purchase of the property or the interest in an acquired real estate company.

Revenue collected by the Division of Taxation under "A" above will continue to be distributed as under existing law.

The "incremental" revenue, collected by the Division of Taxation under "B" above, will be distributed to a new State account, known as the Housing Production Fund. The money in the fund will be administered by the Rhode Island Housing and Mortgage Finance Corporation to provide affordable housing for certain people based on income, and for certain other purposes.

Reminder

Although the new law involving the real estate conveyance tax does not take effect until January 1, 2022, the Division of Taxation is posting this Notice now to provide stakeholders ample time to plan ahead.

Exemption from tax

The new law also creates an exemption from the real estate conveyance tax for any real estate company with respect to an affordable housing development where:

- the housing development has been financed, in whole or in part, with federal low-income tax credits under Internal Revenue Code (IRC) § 42, or
- at least one of the owners, members, or partners of the company is a Rhode Island nonprofit corporation or an entity exempt from tax under IRC § 501(c)(3), or is owned by a Rhode Island nonprofit corporation or an entity that is exempt from tax under IRC § 501(c)(3), and the housing development is subject to a recorded deed restriction or declaration of land use restrictive covenants in favor of the Rhode Island Housing and Mortgage Finance Corporation, the State of Rhode Island Housing Resources Commission, the Federal Home Loan Bank or any of its members, or any other state or local government instrumentality under an affordable housing program. No such real estate company shall be an "acquired real estate company".

The Division of Taxation will update its forms and processes to reflect the changes in the law and will provide further guidance in due course.

Contact Information

For questions about this Notice or about the real estate conveyance tax, contact the Rhode Island Division of Taxation's Excise & Estate Tax unit by telephone at (401) 574-8955, by email: Tax.Excise@tax.ri.gov, or by mail: Rhode Island Division of Taxation, One Capitol Hill, Providence, R.I. 02908.

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