Rhode Island Department of Revenue
Division of Taxation

IMPORTANT NOTICE

REAL ESTATE CONVEYANCE TAX FOR AN ACQUIRED REAL ESTATE COMPANY

The Rhode Island General Assembly enacted a law effective July 1, 2015 requiring acquired real estate companies to (i) file notice of a potential acquisition of a real estate company at least five (5) days prior to the grant, transfer, assignment, conveyance, or vesting of such an acquisition; and to (ii) pay an appropriate tax for the acquisition of the real estate company. The law amended several subsections of R.I. Gen. Law § 44-25-1 which is part of the current real estate conveyance tax law to require notice of the real estate company acquisition, payment of an appropriate tax, and issuance of a certificate by the Division of Taxation upon payment of the tax for the interest in the acquired real estate company.

KEY TERMS OF THE NEW REQUIREMENT

You must be a "**real estate company**" and an "**acquired real estate company**" in order to be subject to the tax.

- To determine if you are a "**real estate company**" you must be a corporation, limited liability company, partnership, or other legal entity which meets 1 or 2 below:

  1. Is primarily engaged in the business of holding, selling or leasing real estate, where 90% or more of the ownership of said real estate is held by 35 or fewer persons and which company either:

  (a) derives 60% or more of its annual gross receipts from the ownership or disposition of real estate; or,
  (b) 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 which are fairly transferrable and actively traded on an established market.
  If you meet 1 (a) or 1 (b) above, you are primarily engaged in real estate and are considered a "real estate company."

  OR

  2. 90% 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.

- An "**acquired real estate company**" is defined in the law as: a real estate company that has undergone a change in ownership interest if :
  (i) such change does not affect the continuity of the operations of the company; and
  (ii) the change, whether alone or together 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. If you meet (i) and (ii) above, you are considered an acquired real estate company.

- The tax is applicable when there is consideration paid of more than $100 at a rate of $2.30 for each $500 or fractional part of $500 which is paid for the interest acquired in a real estate company.

- The tax is payable at the time of the making, the execution, delivery, acceptance or presentation for recording of any instrument affecting such transfer, grant, assignment, transfer, conveyance or vesting.

- The tax is imposed upon the grantor, assignor, transferor or person making (giving) the conveyance or vesting.

Instructions and Form CVYT-2 are available at:
http://www.tax.ri.gov/taxforms/sales_excise/real_estate.php

Should you have any questions, please contact the Excise Tax Section at (401) 574-8955.

September 2015
Notice 2015-13