



Office of the Internal Auditor
City of Providence

January 31, 2020

Council President Sabina Matos
City of Providence
25 Dorrance Street
Providence, RI 02903

Dear President Matos,

Attached you will find a report of the ten-year collection of the Rhode Island Real Estate Tax as requested by Councilman David Salvatore.

Sincerely,

Gina M. Costa
Gina M. Costa
Internal Auditor

IN CITY COUNCIL
FEB 06 2020

READ
WHEREUPON IT IS ORDERED THAT
THE SAME BE RECEIVED.

Shane Bell CLERK



Office of the Internal Auditor

In response to the request of Councilman David Salvatore dated January 16, 2020 a review of the last ten (10) year of the Rhode Island Real Estate Conveyance Tax was completed. The conveyance tax rate is set by State Statute, Title 44 Chapter 25 Section 1. Every real estate transaction is imposed a \$2.30 tax per \$500.00 value of the transaction. This is equal to a .46% tax rate. The State receives one dollar and twenty cents (\$1.20) of the tax distributed as follows:

- thirty cents (\$.30) to the distressed community relief program;
- thirty cents (\$.30) to the housing resources commission;
- sixty cents (\$.60) is retained the State.

The city retains the balance (\$1.10 per \$2.30) and all collections support general fund operations or expenses.

The Recorder of Deeds collects the full tax with one exception in FY2019. In FY2019 there was one transaction that was collected by the State Department of Revenue under 44-25-1(f). The State reimbursed the City for their share, \$1,426,399.10. The adjustment should be done to show the true amount collected and the proper shared amounts.

According to the Recorder of Deeds, "the ratio of sharing changed in favor of the State a few years ago", which could explain the city's larger share prior to FY2015.

On a monthly basis, the City completes Form CVYT-1 and transfers the fund via ACH wire transfer. Exhibit 1 shows the full amount collected, the amount transferred to the State, and the amount retained by the City.

Exhibit 1. Last Ten Years of RI Conveyance Tax

Rhode Island Real Estate Conveyance Tax			
Fiscal Year	Total Collections	State R.I.G.L. 44-25-1	City
2010	1,986,460.00	893,462.35	1,092,997.65
2011	1,727,700.00	796,234.90	931,465.10
2012	1,979,791.00	893,553.75	1,086,237.25
2013	1,993,996.00	809,781.75	1,184,214.25
2014	2,186,236.00	993,603.60	1,192,632.40
2015	2,557,309.29	1,333,988.95	1,223,320.34
2016	3,178,409.15	1,635,443.61	1,542,965.54
2017	3,853,577.94	1,973,055.15	1,880,522.79
2018	4,396,469.49	2,235,843.43	2,160,626.06
2019*	7,717,232.20	3,996,077.82	3,721,154.38
	31,577,181.07	15,561,045.31	16,016,135.76

**2019 Was adjusted for a transaction that was done at the State level in the amount of approximately \$2,982,227*

Enclosed is a copy of Title 44, Chapter 44-25-1 "Real Estate Conveyance Tax" and Form CVYT "Real Estate Conveyance Tax Return" for your reference.

David A. Salvatore
Councilman - Ward 14
PROVIDENCE CITY HALL
25 DORRANCE STREET, ROOM 310
PROVIDENCE, RI 02903
OFFICE: 401-521-7477
MOBILE: 401-484-8375
WARD14@PROVIDENCERI.GOV
TWITTER: @DAVIDASALVATORE



January 16, 2020

Ms. Gina Costa, Internal Auditor
City of Providence
25 Dorrance Street, Rm. 307
Providence, RI 02903

RE: Rhode Island's Real-Estate Conveyance Tax

Dear Ms. Costa,

As you are likely aware, the state imposes a conveyance tax of \$2.30 per \$500 of assessed property valuation for every home sold in the state, and in turn provides each municipality with \$1.10 of that \$2.30/\$500 valuation. For further reference, you can find the specifics in Rhode Island General Law 44-25-1(c).

I would like you to perform an audit on how much the City of Providence has collected over the past ten years from this funding source. I would also request a breakdown of how these monies were utilized, and how much – if any – went towards affordable housing initiatives.

The City is facing an affordable housing crisis, and knowing how these monies have been spent over the past decade can provide insight into how we might move the needle on making Providence a place that can be affordable to all.

Sincerely,

A handwritten signature in black ink that reads "David A. Salvatore". The signature is written in a cursive, flowing style.

David A. Salvatore
Providence City Council
Councilman – Ward 14

TITLE 44

Taxation

CHAPTER 44-25

Real Estate Conveyance Tax

SECTION 44-25-1

§ 44-25-1. Tax imposed – Payment – Burden.

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

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

(c) The tax administrator shall contribute to the distressed community relief program the sum of thirty cents (\$.30) per two dollars and thirty cents (\$2.30) of the face value of the stamps to be distributed pursuant to § 45-13-12, and to the housing resources commission restricted receipts account the sum of thirty cents (\$.30) per two dollars and thirty cents (\$2.30) of the face value of the stamps. Funds will be administered by the office of housing and community development, through the housing resources commission. The state shall retain sixty cents (\$.60) for state use. The balance of the tax shall be retained by the municipality collecting the tax. Notwithstanding the above, in the case of the tax on the grant, transfer, assignment or conveyance or vesting with respect to an acquired real estate company, the tax shall be collected by the tax administrator and shall be distributed to the municipality where the real estate owned by the acquired real estate company is located provided, however, in the case of any such tax collected by the tax administrator, if the acquired real estate company owns property located in more than one municipality, the proceeds of the tax shall be allocated amongst said municipalities in the proportion the assessed value of said real estate in each such municipality bears to the total of the assessed values of all of the real estate owned by the

acquired real estate company in Rhode Island. Provided, however, in fiscal years 2004 and 2005, from the proceeds of this tax, the tax administrator shall deposit as general revenues the sum of ninety cents (\$.90) per two dollars and thirty cents (\$2.30) of the face value of the stamps. The balance of the tax on the purchase of property shall be retained by the municipality collecting the tax. The balance of the tax on the transfer with respect to an acquired real estate company, shall be collected by the tax administrator and shall be distributed to the municipality where the property for which interest is sold is physically located. Provided, however, that in the case of any tax collected by the tax administrator with respect to an acquired real estate company where the acquired real estate company owns property located in more than one municipality, the proceeds of the tax shall be allocated amongst the municipalities in proportion that the assessed value in any such municipality bears to the assessed values of all of the real estate owned by the acquired real estate company in Rhode Island.

(d) For purposes of this section, the term "acquired real estate company" means 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. For purposes of the foregoing subsection (ii) hereof, 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 or party provides the receiving party a legally binding document granting, transferring, assigning or conveying or vesting said realty or a commitment or option enforceable at a future date to execute the grant, transfer, assignment or conveyance or vesting.

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

(i) 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; or

(ii) 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.

(f) In the case of a grant, assignment, transfer or conveyance or vesting which 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 of thereof, and the character and location of all of the real estate assets held by real estate company and shall remit the tax imposed and owed pursuant to subsection (a) hereof. 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 (f) hereof and has paid the tax as required in subsection (a) hereof. 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 municipality in which such real estate company owns real estate. Where the real estate company has assets other than interests in real estate located in Rhode Island, the tax shall be based upon the assessed value of each parcel of property located in each municipality in the state of Rhode Island.

History of Section.

(P.L. 1968, ch. 89, § 2; P.L. 1978, ch. 290, § 1; P.L. 1989, ch. 126, art. 52, § 1; P.L. 1998, ch. 31, art. 25, § 1; P.L. 2002, ch. 65, art. 16, § 12; P.L. 2004, ch. 595, art. 16, § 1; P.L. 2014, ch. 145, art. 12, § 5; P.L. 2015, ch. 141, art. 11, § 6.)

State of Rhode Island and Providence Plantations
Form CVYT-1
Real Estate Conveyance Tax Return



13121788880101

Name of city or town City of Providence		Federal employer identification number 05-6000329	
Address 25 Dorrance Street		For the month ending 07/17/2020	
Address 2			
City, town or post office	State	ZIP code	E-mail address
	RI		

Schedule A - Tax and Remittance Computation

1	Total real estate conveyance tax collected from Schedule B, line 2.....	1	\$25,971.60
2	Amount retained by municipality. Multiply line 1 by 47.83% (0.4783).....	2	\$12,422.33
3	Net real estate conveyance tax due. Subtract line 2 from line 1.....	3	\$13,549.27
4	Total mobile and manufactured home conveyance tax collected from Schedule C, line 2.....	4	\$0.00
5	Net mobile and manufactured home conveyance tax due. Subtract line 5 from line 4.....	5	\$0.00
6	Net real estate conveyance tax due. Subtract line 2 from line 1.....	6	\$0.00
7	TOTAL REMITTANCE DUE. Add lines 3 and 6.....	7	13,549.27

INSTRUCTIONS

- (1) Pursuant to RI Gen. Laws 44-25-1, Rhode Island imposes a tax on each deed, instrument or writing by which interests in real estate are conveyed to a purchaser, when the value of the transfer is greater than \$100. The tax rate is \$2.30 for each \$500, or fractional part, of the purchase price, equating to a 0.46% tax rate.
- (2) Pursuant to RI Gen. Laws 31-44-20, Rhode Island imposes a tax on each deed, instrument or writing by which interests in any mobile or manufactured home are conveyed to a purchaser when the value of the transfer is greater than \$100. The tax rate is \$1.40 for each \$500 or fractional part, of the purchase price, equating to a 0.28% tax rate.
- (3) Filing Date: This return is to be filed with the Rhode Island Division of Taxation on or before the 15th day of each month for the previous calendar month. Send to: RI Division of Taxation, One Capitol Hill, Providence, RI 02908.
- (4) Schedules A, B and C must be completed.

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, it is true, accurate and complete.

Authorized signature	Print name	Title	Date	Telephone number
	John A Murphy	Recorder of Deeds	01/21/2020	401-680-5000

May the Division of Taxation contact your preparer? YES ☐

Revised 06/2014

Key #36