

DC Reduced Rate of Recordation Tax – Applies to Revocable Trust

11 Apr 2018

[Roy L. Kaufmann](#)

The District recently passed legislation which reduces the Recordation Tax for most first-time homebuyers. The Recordation Tax for a “first-time District homebuyer” purchasing “eligible property” is reduced to 0.725% (transfer taxes owed by the seller of 1.1% or 1.45% are unchanged) for houses and, for transfers of economic interests in a housing cooperative unit (co-op unit), the recordation tax rate is reduced from 2.2% to 1.825% for units under \$400,000, and from 2.9% to 2.175% for units \$400,000 or greater (there is no transfer tax).

A question arose whether a buyer who has established a revocable trust for estate-planning purposes would be precluded from taking the important tax reduction.

A Notice of Proposed Rulemaking was issued on February 16, 2018 to which no comments were received. Accordingly, the District has issued a [Notice of Final Rulemaking](#) making it clear that the revocable trust is a viable vehicle and its use will not interfere with the lower tax rate. Specifically, 9 DCMR 528.5 will read as follows:

528.5 For purposes of determining eligibility for the reduced rate of recordation tax provided under Section 303(e) of the District of Columbia Deed Recordation Tax Act of 1962, approved March 2, 1962 (76 Stat. 11; D.C. Official Code § 42-1103(e) (2013 Repl.)), the grantee of a deed conveying real property to a revocable trust (as defined under this section), or the trustee of such a trust, shall be deemed to be the individual grantor, settlor, transferor, creator or trustor of such trust, and the determination of entitlement to the reduced tax rate shall be made based upon such individual without regard to the existence of such revocable trust.

A first-time homebuyer would submit their application at the time the deed is to be recorded. The [application](#) would likely be prepared by the title company if the buyer requests it. The application cannot be filed after the deed is recorded.

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