

Virginia Residents Can Save On Recordation Taxes

By Kevin D'Anna

Act fast if you are a Virginia resident planning to refinance with your existing lender. An amendment to Section 58.1-803 of the Virginia Code, which takes effect July 1, 2012, will remove a Recordation Tax exemption that currently limits the application of Virginia's Recordation Tax to the amount of new money borrowed in a refinance with an existing lender.

This exemption currently imposes upon a deed of trust a Recordation Tax of 25 cents (\$0.25) on every \$100 or portion thereof. When the deed of trust is refinancing an existing deed of trust with an existing lender, however, this Recordation Tax is currently imposed only on the amount of any new money borrowed; i.e., any amount secured by the new deed of trust that is in excess of the refinanced deed of trust.

The amendment to Section 58.1-803, which was approved by Governor McDonnell on April 18, 2012 and becomes effective July 1, removes this exemption and subjects the entire amount secured by the new deed of trust to a Recordation Tax pursuant to the following schedule:

- On the first \$10 million, 18 cents (\$0.18) upon every \$100 or portion thereof;
- On the next \$10 million, 16 cents (\$0.16) upon every \$100 or portion thereof;
- On the next \$10 million, 14 cents (\$0.14) upon every \$100 or portion thereof;
- On the next \$10 million, 12 cents (\$0.12) upon every \$100 or portion thereof; and
- On any amount over \$40 million, 10 cents (\$0.10) upon every \$100 or portion thereof.

While the rate per \$100 on the first \$100 million of value drops under the new law from 25 cents to 18 cents, you may still save considerable money if you refinance with your existing lender before July 1 of this year. For example, assume that your current mortgage is for \$800,000 and you intend to refinance with your existing lender for a mortgage in the amount of \$1,000,000, your savings under the existing law, as compared to the new law, would be as follows:

Existing Law:

$$(\$200,000 / \$100) \times .25 = \$500$$

New Law:

$$(\$1,000,000 / \$100) \times .18 = \$1,800$$

$$\text{Total Savings} = \$1,300$$

The above calculations serve only as examples and there are certain requirements that must be met under the existing and new law. Please call us today so that we can better assist you in taking advantage of the existing law before it is too late.