

SLIDE 15 – State Transfer Taxes (Cover Page)

SLIDE 16

Taxes Due at Closing

Certain transfer taxes that are due in connection with the closing appear and are accounted for on the closing statement. These include state taxes relating to the deed and to the buyer's mortgage. In addition to state-imposed taxes, counties and municipalities may also impose a tax on the real estate transfer.

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Taxes Due at Closing

State taxes on the deed –

Most states impose a transfer tax when real estate is conveyed. The tax is usually paid when the deed is recorded, often in the form of documentary stamps purchased from the recorder where the deed is recorded. The stamps must be attached to deeds and conveyances before they are recorded.

Tax rates are specific to each state. Methods of stating the transfer tax due include quoting the tax as a percentage of the taxable consideration and as a dollar rate per \$100.00 of total selling price. If the number of 100's is not a whole number, it must be rounded up to the next 100.

For instance, if a property sells for \$115,730 and the tax rate is \$.55 per \$100.00 "or any fraction thereof," the tax stamps will cost:

Example calculation for state deed tax			
For instance, if a property sells for \$115,730 and the tax rate is \$.70 per \$100.00 "or any fraction thereof," the tax stamps will cost:			
Property selling price		= \$	115,730.00
Hundred dollar units	$115,730 \div 100.00$	= \$	1,157.30
Round up		= \$	1,158.00
Tax rate	$1,158 \times \$ 0.70$	= \$	810.06
Paid by the seller			

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Taxes Due at Closing

State taxes on the mortgage –

Some states also impose a tax on instruments that contain promises to pay money, such as mortgages, notes, and contracts. Such taxes may be paid by the purchase of documentary stamps from the agency which will record the instrument. In addition, some states impose a further tax on the mortgage as an item of intangible personal property.

Taxes on the mortgage are typically paid by the buyer/borrower.

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Florida state taxes on the promissory note –

Similarly, Florida taxes the promissory note when it is created or assumed. This tax is paid by the buyer at closing.

Florida's taxes on the promissory note is .35 per \$100. If the number of 100's is not a whole number, it must be rounded up to the next 100. This is calculated the same way as the seller's tax on deed.

Intangible Tax

New mortgages are also taxed in Florida at a rate of 2 tenths of a cent (2 mills) per dollar. To calculate multiply the mortgage by .002.

$$\$180,000 \times .002 = \$360 \text{ paid by buyer}$$