Current Developments Special Edition

First American Title National Commercial Services

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Current Developments issued September 18, 2019 reported that Chapter 297 of the Laws of 2019, enacted September 13, 2019 to “take effect immediately”, amending Tax Law Section 1409(a) and adding a new subdivision (h) to Section 11-205 of New York City’s Administrative Code, requires that transfer tax returns for the sale of residential real property sold or purchased by a limited liability company include information on the ownership of the LLC. New York State’s Department of Taxation and Finance issued an “Important Notice regarding conveyances to and from a limited liability company”, which provides the following information:

“When a seller (grantor) or buyer (grantee) is an LLC and the property being conveyed is a one- to four-family residence or a residential condominium, Form TP-584 or Form TP-584-NYC cannot be accepted for filing unless accompanied by documentation that identifies the names and business addresses of all members, managers and other authorized persons of the LLC. If any member of the LLC is itself an LLC or other business entity, the names and business addresses of the shareholders, directors, officers, members, managers and/or partners of that LLC or other business entity must also be provided until ultimate ownership by natural persons is disclosed.

The documentation should include the following information for each individual or entity: name; business address; and taxpayer identification number.

In addition, documentation should demonstrate that 100% of the ownership of each entity has been reported.

The term authorized person means a person, whether or not a member, who is authorized by the operating agreement, or otherwise, to act on behalf of an LLC or foreign LLC…”

The Notice is posted at https://www.tax.ny.gov/bus/transfer/rptidx.htm#conveyances.

The Department has just issued a Technical Memorandum (TSB-M-19(2)R) dated November 4, 2019, clarifying the scope of the requirements in Chapter 297. “Changes to the Filing Requirements for the Real Estate Transfer Tax on Certain Conveyances involving LLCs” states the following:

“Effective September 13, 2019, when a limited liability company (LLC) is the grantor or grantee in a deed transfer of a building containing one-to four-family dwelling units, the following forms [the TP-584 and the TP-584-NYC] cannot be accepted for filing unless accompanied by documentation that identifies all members, managers and other authorized persons of the LLC…

“Form TP-584 or Form TP-584-NYC must be accompanied by a list of the names and addresses of all of the members, managers and other authorized persons of the LLC. If any member of the LLC is itself an LLC or other business entity, a list of all shareholders, directors, officers, members, managers, and/or partners of that LLC or other business entity must also be provided until ultimate ownership by natural persons is disclosed…

“The documentation requirements apply when the applicable property is partially used for commercial purposes.”

The Memorandum is posted at https://www.tax.ny.gov/pdf/memos/real_estate/m19-2r.pdf.

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