



**First American Title Insurance Company of New York
CURRENT DEVELOPMENTS
SPECIAL EDITION**

The Technical Services Division of the New York State Department of Taxation and Finance has requested that the following message, received at First American by email, be disseminated:

“As many of you are aware, conveyances to a Real Estate Investment Trust (REIT) are subject to the New York State Real Estate Transfer Tax (transfer tax), but may be taxed at a reduced rate. This reduced tax rate for the transfer tax may also apply to conveyances to a partnership or corporation in which a REIT will own a controlling interest immediately following the conveyance. However, to qualify for the reduced tax rate, certain conditions must be met (Section 1402(b) of the Tax Law.)

“This email is to remind you that the reduced transfer tax rate for conveyances other than those made in connection with the initial formation of the REIT expired on September 1, 2005.

“For more information, see TSB-M-02(1)R

“ http://www.tax.state.ny.us/pdf/memos/real_estate/m02_1r.pdf

“This TSB-M is also available on the Department’s WEB Site @ www.nystax.gov”.

A copy of the TSB-M is annexed to this Bulletin.

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**Extension of Reduced
Real Estate Transfer Tax Rate
for Real Estate Investment Trusts**

On May 29, 2002, Governor George E. Pataki signed into law Chapter 85 of the Laws of 2002. This Act amends section 1402(b)(2)(B) of the Tax Law to extend until September 1, 2005, the reduced tax rate for conveyances of real property to existing real estate investment trusts (REIT).

Conveyances to a REIT are subject to the New York State Real Estate Transfer Tax (transfer tax), but may be taxed at a reduced rate. This reduced tax rate for the transfer tax may also apply to conveyances to a partnership or corporation in which a REIT will own a controlling interest immediately following the conveyance. To qualify for the reduced tax rate, however, certain conditions must be met. For more information see TSB-M-94(4)R and TSB-M-96(5)R.

(Section 1402(b) of the Tax Law.)

The statutory provisions providing for a reduced tax rate of \$1 for each \$500 of consideration, or fractional part thereof, applying to conveyances of real property to a REIT (other than those conveyances made in connection with the initial formation of the REIT) were due to expire on August 31, 2002. However, these provisions have been extended and now apply to conveyances occurring before September 1, 2005.