

UNDERSTANDING CALIFORNIA DOCUMENTARY TRANSFER TAX



WHAT IS DOCUMENTARY TRANSFER TAX?

A tax imposed when a residential or commercial property exchanges hands between a seller and a buyer, whereas the title is transferred from one party to the other. This transfer tax is collected by the county or the city and is typically calculated based on the sales price of the home. In California, the county tax rate is \$.55 for each \$500, or fractional part thereof, of the value of real property, less any loans assumed by the buyer. Certain cities also enforce additional transfer taxes. Depending on its classification, these city taxes can be much higher than that imposed by the county.

“CHARTER CITY” VS “GENERAL LAW CITY”

A ‘Charter City’ is one that its governing system is not defined by California law, but rather the city’s own charter, these cities tend to have a much higher tax rate than a “General Law City”. A “General Law City” can impose a documentary transfer tax that’s equal to half the rate that its county imposes. If a general law city imposes its own tax, the county’s transfer tax is reduced by the city’s transfer tax so the taxpayer still pays \$.55 for every \$500 worth of the property’s value.

WHO PAYS DOCUMENTARY TRANSFER TAX?

In California, the Seller usually is responsible for both the County and City Documentary Transfer Tax. However, some cities have established certain customary practice that the City Transfer Tax is split between the Buyer and Seller. Be sure to check out our latest [Customary Practices Guide](#) for details of each cities’ custom.

ARE THERE ANY EXEMPTIONS?

Yes. The table on the right listed those real estate transactions that are exempt from the Documentary Transfer Tax under State Revenue and Taxation Code Section 11902. When a transaction is exempt, the reason for the exemption must be noted on the document or on a separate signed affidavit. The reason must reference the R&T Code section and include the appropriate wording as shown below. Additional verification may be required to demonstrate a specific exemption applies to the transaction.

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REASON FOR EXEMPTION WITH REQUIRED WORDING	APPLICABLE SITUATIONS OR CONDITIONS
Liened to full value.	When the value of the liens outstanding equals or exceeds the value of the property.
Gift	Bona fide gift
Value or consideration is less than \$100	The property being transferred has a fair market value of less than \$100.00.
Agent to principal, funds of the grantee used to purchase the property	Only applicable when two deeds are recorded concurrently.
Instrument securing a debt for collateral purposes only.	Used on Assignments of Lease and/or Rents for collateral purposes only. Not valid on deeds.
Governmental agency acquiring title	Includes foreclosing beneficiary to Federal Home Loan Mortgage Corporation (FHLMC) or Federal National Mortgage Association (FNMA).
Conveyance under bankruptcy Federal Case No. ____.	Approved in Court Proceeding.
Court ordered conveyance not pursuant to a sale Court Case No. ____.	Approved in Court Proceeding.
Reorganization/Adjustments plan Federal Case No. ____.	Approved in Court Proceeding.
Transfer by order of the Securities and Exchange Commission Case No. ____.	Approved in Court Proceeding.
Grantors and Grantees are comprised of the same parties and their proportional interest remains the same immediately following transfer.	Transfers between individual(s) and legal entity(ies) which proportional interest remains the same.
Trustees Deed upon Sale or Deed in Lieu of Foreclosure. The Grantee was/was not the foreclosing beneficiary. The amount of Consideration paid by Grantee is \$____. The amount of debt with interest is \$____.	A special tax statement is required to determine if any equity value exists. The tax exemption is for the value of the lien and does not include any equity value.
Dissolution of Marriage.	Transfer between spouses caused by or in anticipation of a divorce.
Grantor is a non federal government agency.	Only applies when the purchaser immediately reconveys the realty to the exempt agency. The 2 deeds must be concurrent.
Grantor is a non federal government agency. Grantee is a non-profit corporation.	Does not apply to individuals or private entity(ies) granting to a non-profit corporation.
Transfer into or out of a trust	Interests transferred outright to, or in trust for the benefit of any person or entity.
Inter vivos gift or reason of death	A gift made while someone is alive or the death of any person where their interest is transferred outright.