

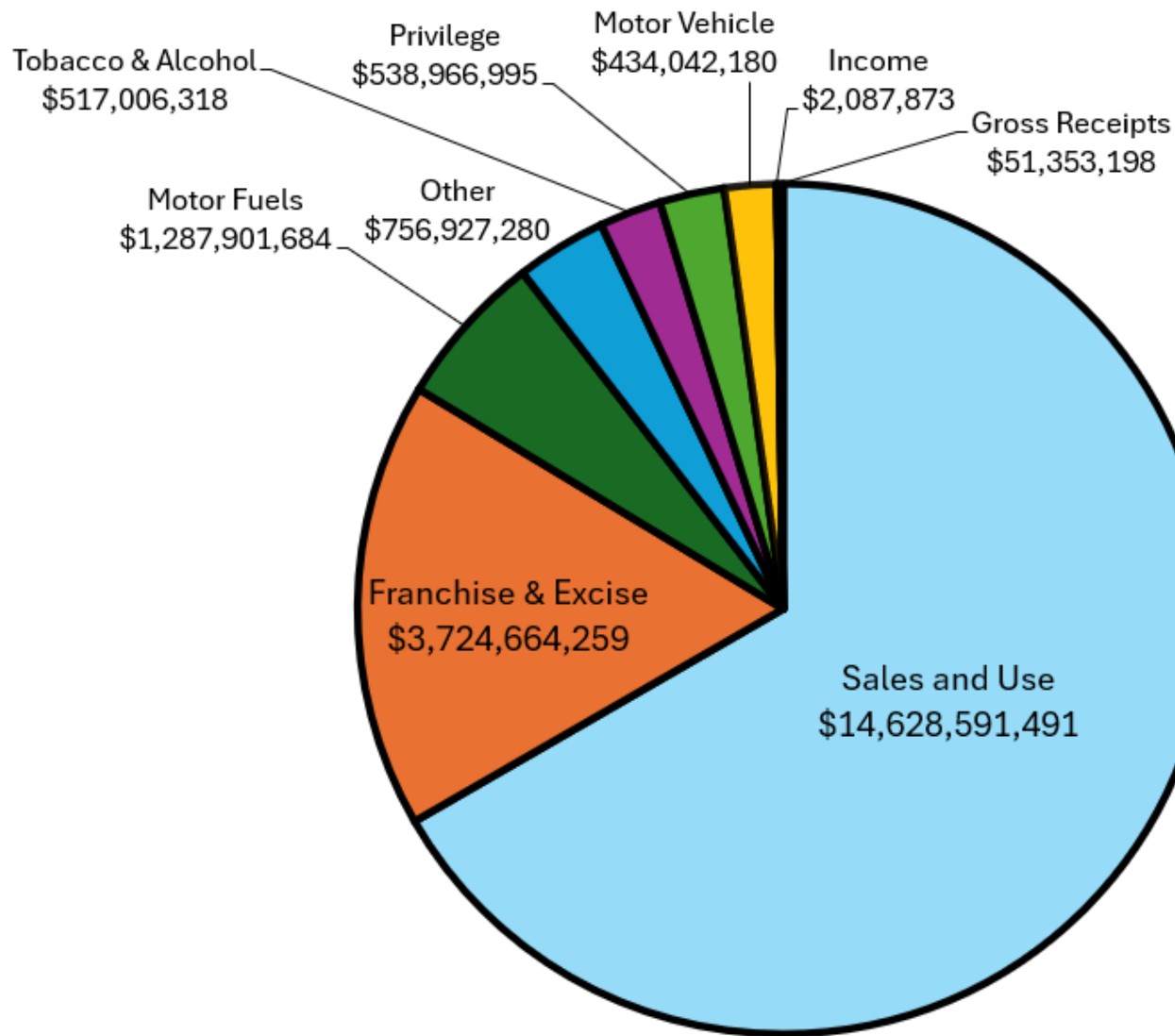


Recordation Tax

Tenn. Code Ann. § 67-4-409

Introduction

State Revenue by Source – FY2025



State Revenue by Source – FY2025

- In fiscal year 2025, the department collected \$14.6 billion in sales and use taxes (66.67%), \$3.7 billion in franchise & excise taxes (16.98%), \$1.3 billion in motor fuel taxes (5.87%), \$539 million in privilege taxes (2.46%), \$517 million in alcohol & tobacco taxes (2.36%), \$434 million in motor vehicle taxes (1.98%), \$357.4 million in business tax (1.63%), and \$452.9 million in other taxes, which include miscellaneous tax, the Hall income tax, and TVA's payment in lieu of taxes, (2.06%).
- Note: Totals do not add up to 100 percent due to rounding.
- Realty Taxes are included in the privilege tax category along with Litigation Fees and Tax; Professional Privilege Tax; Marriage License Fees; Bail Bond Tax; Tire and Used Oil Taxes; and Fantasy Sports Tax

Realty Taxes Allocations – FY 2025

Realty Taxes	Allocated
General Fund	\$262,338,400.01
Housing	\$56,107,599.71
Wetlands	\$23,905,592.44
Local Park Land	\$12,872,242.08
State Land Acquisition	\$11,033,350.35
Agriculture Resources Conservation	\$11,033,350.36
Total	\$377,290,534.95

Introduction: Recordation

Recordation: the legal procedure by which an individual formally establishes his right to an interest in real property or priority as a creditor under a debt instrument

Introduction: Privilege Taxes

- **Privilege Tax:** a tax on the privilege of engaging in a particular activity in Tennessee
- **Business Tax:** The privilege of doing business
- **Professional Privilege Tax:** The privilege of engaging in an occupation licensed by the State
- **Sales Tax:** The privilege of making sales at retail
- **Recordation Tax:** The privilege of publicly recording documents

Introduction: Overview

Recordation Tax is imposed on two separate privileges:

- Public recordation of *transfers of realty*
- Public recordation of *debt instruments*

Realty Transfer Tax

Realty Transfer Tax: Statute

On all transfers of realty, whether by deed, court deed, decree, partition deed, or other instrument evidencing transfer of any interest in real estate, there shall be paid for the privilege of having the same recorded a tax, for state purposes only, of 37¢ *per \$100*.

TENN. CODE ANN. § 67-4-409(a)

Realty Transfer Tax: Overview

TENN. CODE ANN. § 67-4-409(a) addresses the following:

- Freehold Estates
- Quitclaim Deeds
- Transfers Not Subject to the Realty Transfer Tax
- Payment and Collection
- Administration of the Realty Transfer Tax

Freehold Estates

Realty Transfer Tax: Freehold Estates

- **Tax Base:** the tax shall be based on *whichever is greater*, either:
 - The consideration for the transfer or
 - The value of the property at the time of transfer
- **Value of Property:** the amount that the property transferred would command *at a fair and voluntary sale*
 - **Contrast to:** Foreclosures, Auctions, Familial Transactions

TENN. CODE ANN. § 67-4-409(a)(1)

Quitclaim Deeds

Realty Transfer Tax: Quitclaim Deeds

- **Quitclaim Deeds:** contain no title covenants and offer no warranty as to the status of the property title
- **Value of Property:** the tax shall be based only on the actual consideration given for that conveyance

TENN. CODE ANN. § 67-4-409(D)

Realty Transfer Tax: Quitclaim Deeds

- A deed is treated as a quitclaim deed if
 - the deed contains language substantially similar to the form for quitclaim deeds in TENN. CODE ANN. § 66-5-103(2), **AND**
 - Only conveys the grantor's ***interest*** to the grantee.
 - A deed that contains language evidencing an intent to convey a deed in fee with general warranty substantially similar to the form provided for in § 66-5-103(1)(A) must be taxed as provided in subdivision (a)(1)(A);

TENN. CODE ANN. § 67-4-409(D)

Realty Transfer Tax: Quitclaim Deeds

- TENN. CODE ANN. § 66-5-103(1) and (2):
- The following or other equivalent forms, varied to suit the precise state of facts, are sufficient for the purposes contemplated, without further circumlocution:
- **(1)**
 - **(A)** For a deed in fee with general warranty: “I hereby convey to A. B. the following tract of land (describing it), and I warrant the title against all persons whomsoever;”
 - **(B)** Covenants of seisin, possession, and special warranty: “I covenant that I am seized and possessed of this land, and have a right to convey it, and I warrant the title against all persons claiming under me;”
- **(2)** For a quitclaim deed: “I hereby quitclaim to A. B. all my interest in the following land” (describing it);

Realty Transfer Tax: Quitclaim Deeds

- For example, a true quitclaim deed may state:
 - “I hereby quitclaim to Grantee all my interest in the following land.”
 - “I hereby remise, release and quitclaim unto the said Grantee forever, all the right, title, interest and claim which the said Grantor has in and to the following described parcel of land, and improvements and appurtenances thereto.”
 - I hereby bargain, sell, release, remise, quit claim, and convey unto Grantee all right, title, and interest in and to the following real estate.”

Realty Transfer Tax: Quitclaim Deeds

- Deeds that **do not** clearly convey the grantor's ***interest*** in the real property generally do not qualify as a true quitclaim deed.
- Tax is due on the fair market value of the property when the language in the deed shows intent to convey the property itself ("in fee") including warranty, evidenced by language substantially similar to the form provided in TENN. CODE ANN. § 66-5-103(1)(A), rather than a mere chance of title.

Realty Transfer Tax: Quitclaim Deeds

- **Examples** of such warranty language include, but are not limited to:
 - “to have and to hold” (habendum clause)
 - “in fee simple” (absolute)
 - “I warrant the title against all persons whomsoever”
 - “I hereby grant, devise, bargain, sell, and convey by quitclaim unto Grantee the following premises”

Realty Transfer Tax: Quitclaim Deeds

- Although this language (see previous slide) is substantially similar to the quitclaim deed language, it does not state that the grantor is only conveying his or her *interest* in the real property.

Quitclaim Deeds – Example 1

- “FOR AND IN CONSIDERATION of the sum of Ten Dollars (\$10.00) cash in hand paid, and other good and valuable consideration, the receipt and legal sufficiency of which are hereby irrevocably acknowledged. [Grantor] convey and quitclaim unto [Grantee] all its interest in the following described real estate in [Name of County], Tennessee.”
- [Description of real estate.]
- “Grantor covenant that they are lawfully seized and possessed of said real estate, have good right and lawful authority to convey the same, that the title thereto is clear, free and unencumbered (except as hereinbefore specifically set out).”

Quitclaim Deeds – Example 2

- “FOR AND IN CONSIDERATION of the sum of TEN (\$10.00) DOLLARS, cash in hand paid by the hereinafter named Grantee, and other good and valuable considerations, the receipt of all of which is hereby expressly acknowledged, I [GRANTOR], have bargained an sold, and do hereby quitclaim and convey unto [GRANTEE], his heirs and assigns, a one-half (1/2) undivided interest in and to the following described tract or parcel of land in [Name of County], State of Tennessee, described as follows, to wit:”
- [Description of real estate.]

Quitclaim Deeds – Example 2

- “Said property is conveyed subject to such limitations, restrictions, and encumbrances as may affect the premises. Said property is also being conveyed without the benefit of a title search or examination by the preparer, none being requested. Consequently, this conveyance does not affect the rights of third parties who interests may be in effect prior to the date recited herein.”

Quitclaim Deeds – Example 3

- “That the said Seller(s), for and in consideration of the sum of One (\$1.00) Dollar to Seller(s) in hand paid by the said Buyer(s), the receipt of which is hereby acknowledged, have quitclaimed, and do hereby quitclaim unto the said Buyer(s), the following described premises and lands, to-wit:”
- [Description of real estate.]

Quitclaim Deeds – Example 4

- “WITNESSETH: That said parties of the first part, for and in consideration of the sum of One Dollar to them in hand paid by the said parties of the second part, the receipt of which is hereby acknowledged, have remised, released and quit claimed, and do hereby remise, release and quit claim unto the said parties of the second part, the following described premises, to wit:”
- [Description of real estate.]
- “And all of the estate, right, title and interest of the party of the first part herein, with the hereditaments and appurtenances thereto appertaining, hereby releasing all claims whatsoever to the said party of the second part, their heirs and assigns forever.”

Not Subject to Tax

Realty Transfer Tax: Not Subject to Tax

The Realty Transfer Tax shall not be levied on:

- The transfer of a leasehold estate (TENN. CODE ANN. § 67-4-409(a)(1)(B));
- The transfer of any real estate resulting from a creation or dissolution of a tenancy by the entirety:
 - By the conveyance of one spouse to the other;
 - By the conveyance from one spouse or both spouses to the original grantor in the instrument and the original grantor's spouse; or
 - By the conveyance of one spouse or both spouses to a trustee and immediate conveyance by the trustee in the same instrument as tenants in common, or the like;

Realty Transfer Tax: Not Subject to Tax

The Realty Transfer Tax shall not be levied on:

- The transfer of real estate formerly held by tenants in common;
- The transfer of real estate resulting from the release of a life estate to the beneficiaries of the remainder interest;
- The transfer of real estate involving deeds executed by an executor to implement a testamentary devise

Realty Transfer Tax: Not Subject to Tax

The Realty Transfer Tax shall not be levied on:

- The transfer of real estate resulting from a domestic settlement:
 - Domestic settlement decrees;
 - Adjustments of property rights between divorcing parties;

Realty Transfer Tax: Not Subject to Tax

The Realty Transfer Tax shall not be levied on:

- The transfer of real estate involving revocable living trusts:
 - Transfers of real estates to a revocable living trust created by the same transferor (or spouse);
 - Transfers by the trustee back to the same transferor (or spouse);
 - Deeds executed by the trustee to implement a testamentary devise by the trustor of the trust; or
 - Deeds executed by the trustee of a testamentary trust or revocable living trust to implement the distribution of the real property to a trust beneficiary or beneficiaries.

TENN. CODE ANN. § 67-4-409(a)(1)(C)(i)-(viii)

Realty Transfer Tax: Not Subject to Tax

Under Tenn. Code Ann. § 45-4-803, credit unions are exempt from recordation taxes if they are the grantee in a warranty deed or the grantor in a trust deed. See also 12 U.S.C. §1768.

Payment and Collection

Realty Transfer Tax: Payment & Collection

- **Who pays the tax?**
 - The grantee or transferee of the interest in real estate, as shown on the instrument evidencing the transfer of such interest.
- **Where is the tax paid?**
 - The tax shall be collected by the register of the county in which the instrument is offered for recordation.

TENN. CODE ANN. § 67-4-409(a)(1)(F)

Administration

Realty Transfer Tax: Administration

- **Recordation Requirement:**

- The grantee or trustee *must state* under oath *upon the face of the instrument* offered for record in the presence of the register the actual consideration or value, *whichever is greater*, for the transfer of a freehold estate.

- **Penalties:**

- False statements known to be false respecting the consideration for value of property transferred shall be punishable as *perjury*.

TENN. CODE ANN. § 67-4-409(a)(1)(F)(i) and (ii)

Realty Transfer Tax: Administration

- An oath is not required on a transfer tax exempt transfer.

TENN. CODE ANN. § 67-4-409(a)(1)(E)

Realty Transfer Tax: Administration

- **Multiple Deeds or Other Instruments of Conveyance:** a person who obtains *several* deeds or other instruments of conveyance *for the same transfer of one and the same tract* or parcel of real estate shall pay tax *only one time* with respect to such transfer

TENN. CODE ANN. § 67-4-409(a)(1)(F)(iii)

- **Tax Due:** no tax is due until the title to the property is transferred by deed

TENN. CODE ANN. § 67-4-409(a)(1)(G)

Realty Transfer Tax: Administration

The register is **forbidden** to record the transfer until the Realty Transfer Tax has been paid.

TENN. CODE ANN. § 67-4-409(a)(1)(F)(iv)

Debt Instruments Tax

Debt Instruments Tax: Statute

Prior to the public recordation of any instrument evidencing an indebtedness, including, but not limited to, mortgages, deeds of trust, conditional sales contracts, financing statements contemplated in the Uniform Commercial Code, compiled in title 47, and liens on personalty, other than on motor vehicles, there shall be paid a tax, for state purposes only, of *11.5¢ on each \$100* of the indebtedness so evidenced.

BUT *it does not apply with respect to the first \$2,000 of the indebtedness.*

TENN. CODE ANN. § 67-4-409(b)(1) & -409(b)(5)

Debt Instruments Tax: Overview

TENN. CODE ANN. § 67-4-409(b) addresses the following:

- Recording Instruments Securing:
 - Payment of Specific Sums of Money;
 - Performance of Obligation Other than Specific Sum of Money;
 - Revolving Lines of Credit;
- Instruments not subject to the Debt Instruments Tax;
- Payment and Collection;
- Administration of the Debt Instruments Tax

Specific Sum of Money

Debt Instruments Tax: Specific Sum of Money

- **Indebtedness:** the principal debt or obligation which is reasonably contemplated by the parties to be included within the terms of the agreement
 - **Does not include:** any amount of interest, collection expense including, but not limited to, attorney's fees and expenses incurred in preserving, protecting, improving, or insuring property which serves as collateral for indebtedness, or any other amount, other than the principal, for which a debtor becomes liable unless such amount is added to the principal debt

TENN. CODE ANN. § 67-4-409(b)(6)(A)

Debt Instruments Tax: Specific Sum of Money

Every recorded instrument evidencing an indebtedness *must contain the required statement:*

- “Maximum principal indebtedness for Tennessee Recording tax purposes is \$_____.”
 - This statement can be on the face of the instrument or in an attached sworn statement.

TENN. CODE ANN. § 67-4-409(b)(6)(C)(i)

Non-Specific Sum of Money

Debt Instruments Tax: Non- Specific Sum of Money

- If the instrument is given to secure the performance of an obligation *other than the payment of a specific sum of money*, and a maximum amount secured is not expressed in the instrument, such instrument shall be taxable upon *the value of the property covered by the instrument*.

TENN. CODE ANN. § 67-4-409(b)(6)(B)

- The instrument must contain on its face or in an attached sworn statement the following:
 - “Secures obligation other than payment of specific sum – valuation statement submitted herewith.”

TENN. CODE ANN. § 67-4-409(b)(6)(C)(ii)

Revolving Lines of Credit

Debt Instruments Tax: Revolving Lines of Credit

Instruments Securing a Line of Credit, the amount of which may vary:

- The Debt Instruments Tax shall be based on *the maximum amount of indebtedness* as stated in the instrument, and the reduction or subsequent increasing of the amount of the indebtedness within such limits shall **NOT** result in an additional tax.

TENN. CODE ANN. § 67-4-409(b)(6)(D)

Not Subject to Tax

Debt Instruments Tax: Not Subject to Tax

The Debt Instruments Tax is not required for the recordation of:

- Judgment liens,
- contractors' liens,
- subcontractors' liens,
- furnishers' liens,
- laborers' liens,
- mechanics' and materialmen's liens,
- financing statements filed pursuant to the UCC, compiled in title 47, that secure an interest solely in investment property as defined in § 47-9-102(a),
- and mortgages or deeds of trust issued under the Tennessee Reverse Mortgage Innovation Act.

TENN. CODE ANN. § 67-4-409(b)(2)

Payment and Collection

Debt Instruments Tax: Payment & Collection

- **Who pays the tax?**

- The mortgagor, grantor, or debtor, evidenced by the instrument offered for recordation. A holder of indebtedness must collect and remit the tax.

- **Where is the tax paid?**

- This tax shall be paid to and collected by county registers, the secretary of state, and any other official who may receive any instrument for recordation.

TENN. CODE ANN. § 67-4-409(b)(4)

Administration

Debt Instruments Tax: Administration

An official charged with collection of the Debt Instruments Tax is **forbidden** to record any instrument evidencing indebtedness, until the *required statement* is provided and the *Debt Instruments Tax* is properly paid!

TENN. CODE ANN. § 67-4-409(b)(6)(C)(iii)

Debt Instruments Tax: Administration

Property Securing Payment Located both Inside and Outside of Tennessee:

- Optional Method of Computing Tax:

$$\text{Taxable Indebtedness} = \frac{\text{Value of TN Collateral}}{\text{Value of Total Collateral}} = \text{---}\% \times \text{Indebtedness}$$

TENN. CODE ANN. § 67-4-409(b)(8)(A)(i)

Debt Instruments Tax: Administration

Tennessee Collateral: all collateral in which a security interest, deed of trust, mortgage lien or other consensual lien is perfected by filing or recording one or more instruments in the state of Tennessee

- **Does NOT include:**
 - Any personal property physically located outside the state of Tennessee;
 - Any property in which a security interest could be perfected by possession;
 - **Mobile Goods:** goods that are mobile and are normally used in more than one jurisdiction; unless the debtor's chief executive office is also located in Tennessee

TENN. CODE ANN. § 67-4-409(b)(8)

Debt Instruments Tax: Administration

- If there is an *increase* in indebtedness beyond amount stated subsequent to the filing or recordation of the instrument, the holder shall pay the Debt Instruments Tax *on the total amount of the increase*.
- **Payment:** Payment is due on the date the increase occurs but may be made without penalty within 60 days after the increase.

TENN. CODE ANN. § 67-4-409(b)(9)

Debt Instruments Tax: Administration

Penalty: If the holder of the indebtedness fails to pay or underpays the Debt Instruments Tax, the holder must pay a penalty of (whichever is greater):

- \$250 or
- Double the unpaid Debt Instruments Tax

TENN. CODE ANN. § 67-4-409(b)(13)

How to File Using TNTAP

Filing Tax Returns in TNTAP

1. Log in to TNTAP

- Go to the Tennessee Taxpayer Access Point:
<https://tntap.tn.gov>
- Sign in using your TNTAP username and password
(Registers of Deeds typically have a designated TNTAP account for office tax remittance.)

Filing Tax Returns in TNTAP

2. Locate the Recordation Tax Account

- Once you're logged in:
- On your **TNTAP dashboard**, find the tax account labeled
"Recordation Tax" or "Real Estate Transfer / Mortgage Recordation Tax".
- Click the **"File Return"** link next to that tax account.

Filing Tax Returns in TNTAP

3. Select the Filing Period

- Choose the correct month you are submitting (e.g., **July 2026**).

Registers of Deeds remit **monthly**.

Filing Tax Returns in TNTAP

4. Enter Recordation Tax Details

You'll enter:

- Total consideration amounts received
- Mortgage indebtedness amounts
- Number of documents recorded
- Total tax collected and any applicable exemptions

TNTAP's return mirrors the traditional "Recordation Tax Return" layout—each data line corresponds to the categories you record daily.

Filing Tax Returns in TNTAP

5. Review Calculated Tax

TNTAP will automatically calculate:

- **State recordation tax**
- **Local share** (where applicable)
- Total remittance due

Confirm the values match your office's daily log totals.

6. Submit the Return

- Click "**Submit**" once all fields are complete.
- TNTAP will give you a submission confirmation number.

Filing Tax Returns in TNTAP

7. Remit Payment

Three Options:

- **Option A: ACH Debit**
 - Enter routing number
 - Enter account number
 - Choose payment date
 - Authorize bank draft
 - Save payment confirmation
- **Option B: ACH Credit**
 - Initiate payment through your county's banking system using the TNTAP return information
- **Option C: Pre-scheduled payment**
 - Some counties have automated scheduling—review the details and confirm.

Filing Tax Returns in TNTAP

8. Save Your Confirmation

TNTAP provides:

- A **PDF copy** of the return
- A **payment confirmation receipt**

These should be kept for your monthly office records.

9. Reconcile with Your Office's Daily Records

Make sure:

- TNTAP totals match your document recording system totals
- All fees, exemptions, and special situations (SPEs, NDDs, etc.) were entered correctly

Filing Tax Returns in TNTAP

10. Repeat Monthly

- Tennessee requires Registers of Deeds to file and remit recordation tax **by the 20th of the following month.**

Miscellaneous

Recordation Tax: Miscellaneous

The Realty Transfer Tax and Debt Instruments Tax are two separate taxes. An instrument evidencing a transfer of interest that is subject to the Realty Transfer Tax is also subject to the Debt Instruments Tax when such instrument evidences an indebtedness.

TENN. CODE ANN. § 67-4-409(b)(7)

Recordation Tax: Miscellaneous

Exemptions:

- Instruments made pursuant to mergers, consolidations, sales or transfers of substantially all the assets in this state of corporations, pursuant to plans of reorganization;
- Health and Educational Facility Corporations: Exemption from Debt Instruments Tax when such corporations are formed pursuant to TENN. CODE ANN. § 48-101-304;
- Municipalities: when a municipality is the grantee transferee of a transfer of realty or is the holder or owner of indebtedness

TENN. CODE ANN. § 67-4-409(e) and (f)

Recordation Tax: Miscellaneous

Municipality: the state of Tennessee or any county, incorporated city or town, utility district, school district, power district, sanitary district, or other municipal, quasi-municipal, or governmental body or political subdivision in this state, and any agency, authority, branch, bureau, commission, corporation, department, or instrumentality thereof now or later authorized to be created

- Municipality also includes federal government entities and instrumentalities

TENN. CODE ANN. § 67-4-409(f)(2)

Recordation Tax: Miscellaneous

Collection and Reporting

- County Registers shall report all collections to the Department on forms prescribed by the Commissioner
- County Registers are entitled to retain a 5% commission of the taxes collected **BUT** 52% of the 5% commission shall be remitted to the state treasurer and credited to the general fund of the state.
- County Registers may charge a \$1 fee for issuing each receipt for the Realty Transfer Tax and Debt Instruments Tax.

TENN. CODE ANN. § 67-4-409(d)

Refund Claims

- The party seeking a refund must complete a Claim for Refund Form – available on the Department's website:
<https://www.tn.gov/revenue/for-businesses/letters-waivers-refunds/request-a-refund.html>
- Refund claims must include a Report of Debts form if they are over \$200.
- Refund claims must include all documentation that would support the claim that a refund is due, including the amount of tax paid and the county to which it was paid.
- Refund requests must be submitted to the Department within three years from December 31 of the year in which the tax was paid.

Refund Claims

- When the Department receives the claim for refund, the claim will be attached to the account in TNTAP/TR3 for the Register of Deeds who collected the tax.
- The refund will be paid to the taxpayer and not to the county.
- Any approved refund will be reduced by the amount the taxpayer paid for clerk's fees and commissions. These are not refundable.

Refund – Claim for Refund Form



TENNESSEE DEPARTMENT OF REVENUE Claim for Refund

RV-F0102401 (3/18)

Taxpayer Name _____ Account Number _____

Address _____
Street City State Zip Code County

Type of Tax/Fee Paid _____ Taxable/Registration Period (or year) _____

Date Tax/Fee Paid _____ Amount Paid _____ Amount Claimed as Refund _____

Report of Debts Attached Yes ☐ No ☐

(If a refund of \$200 or more is requested, a Report of Debts form must be completed and filed with this claim.)

Basis of Claim (Attach schedules if additional space is required): _____

Under the penalties of perjury I declare that the statements made in support of this claim are true, correct and complete, to the best of my knowledge and belief.

Name _____ Title _____
(Signature of Taxpayer, Officer, or Authorized Representative)

Printed Name _____ Date _____
(Print name signed above)

Mail to:
Tennessee Department of Revenue
12th Floor Audit Division
500 Deaderick Street
Nashville, TN 37242

FOR OFFICE USE ONLY

The above claim for refund is approved in the amount of

Claim examined by _____ \$ _____ Date _____

Class of Tax/Fee _____ Amount by Type _____

1 _____ Director _____

2 _____

3 _____ Commissioner of Revenue _____

4 _____

Refund Number _____ Attorney General _____



Refund – Report of Debts Form

TENNESSEE DEPARTMENT OF REVENUE

DEPARTMENT USE ONLY
CLAIM DATE _____
CLAIM NO. _____
ACCOUNT NO. _____



REPORT OF DEBTS

ATTACH THIS REPORT AND SUPPORTING DOCUMENTATION TO REFUND CLAIM AND MAIL OR FAX TO:
TENNESSEE DEPARTMENT OF REVENUE
ANDREW JACKSON STATE OFFICE BLDG.
12th FLOOR
NASHVILLE, TENNESSEE 37242
FAX (615) 532-6396

Pursuant to Tenn Code Ann. §§ 67-1-1802 and 67-1-1808, if you are seeking a refund of \$200.00 or more, you are required to complete and attach this report to your claim for refund.

Name of Taxpayer _____ Account Number _____

Street Address of Taxpayer _____

City and State _____ County _____

Make an "X" in the "Yes" box if you owe any of the debts listed below to any state agency, department, bureau, commission or other state authority ("claimant").

For each debt that you report, attach documentation identifying the claimant to whom you owe the debt and the outstanding balance of such debt as of the date you submit the refund claim. If your refund claim is approved, any or all of your refund payment will be subject to offset and reduced by the amount of any debt owed.

If you do not owe any of the debts listed below to a claimant, make a "X" in the "No" box.

After completion, please read the paragraphs below and provide a signature and date on the lines provided.

Any person who, with intent to deceive, provides false information on this report is guilty of the Class A misdemeanor offense of perjury.

Yes _____	No _____	State tax liabilities;
Yes _____	No _____	Child Support;
Yes _____	No _____	Overpayment of unemployment compensation benefits;
Yes _____	No _____	Overpayment of medical assistance benefits owed the bureau of TennCare;
Yes _____	No _____	Delinquent student loan payments or other obligation due to the Tennessee student assistance corporation;
Yes _____	No _____	Fees, costs or restitution owed to a clerk who serves a court of criminal jurisdiction;
Yes _____	No _____	Costs of incarceration;
Yes _____	No _____	Judgments or liens in favor of a state agency, department, commission, or bureau;
Yes _____	No _____	Any other debt owed to any other claimant.

I certify that the foregoing report is true and correct to the best of my knowledge and understanding. I further acknowledge that providing false information on this report constitutes the offense of perjury under Tenn. Code Ann. § 39-16-702 and is punishable under the laws of the state of Tennessee.

Signature of Taxpayer, Officer or Authorized Representative: _____

Date: _____

This report must be completed by any taxpayer requesting a claim for refund of taxes in the amount of \$200 or more. This form must accompany all claims for a refund of taxes whether such claims are requested on a claim for refund form or on a franchise, excise tax return, income tax return, or gift tax return filed with the department. Claims for refund resulting solely from the payment of estimated taxes that exceed the actual liability established by the initial tax return pursuant to Tenn. Code Ann. § 67-1-1802(a)(1)(A) are not subject to this reporting requirement. Questions should be directed to the department's Refund Unit at (615) 741-0443.

All information exchanged among the Department of Revenue, the Department of Treasury, and any claimant entity, as defined by statute, is lawful for the purposes of administering Public Chapter 1113 (2010).

RV-F1406501 (Rev. 9-14)



UCC Fixture Filings

- Uniform Commercial Code ("UCC") fixture filings are subject to indebtedness tax.
 - However, they are not subject to the tax if the incidence of tax is on an entity that is exempt from the tax or
 - if a governmental entity is the mortgagor (lender) or the mortgagee (debtor).
- Always require a value to be stated as Maximum Principal Indebtedness. It cannot be \$0.
- If the filer claims the document is exempt, the proper statute citation must be included on the document.

Solar Panel Fixture Filings

- In 2020, it was brought to our attention that some companies were filing these and reporting a maximum principal indebtedness of \$0 and reporting \$0 tax due.
- One register of deeds reported that she was returning them and explaining they were not exempt.
- The Department checked with the Secretary of State's Office ("SOS") and found that they had been filed there.
- The SOS will file them without collecting tax; SOS assumes the counties are collecting any tax owed.
- A review of filings in 2021 and 2022 showed that tax is now being properly paid.
- If you get one of these, notify the Department and we can look into it.
- It is the lender's responsibility to collect the tax from the debtor and remit it to the register of deeds when filing.

Modification Agreements

Tenn. Code Ann. § 67-4-409(b)(9) provides:

“In the event of an increase in the indebtedness beyond the amount stated subsequent to the filing or recordation of the instrument, the holder of the indebtedness shall pay the tax on the amount of the increase. Such a payment shall be due on the date the increase occurs, but may be made without penalty if made within sixty (60) days after the increase occurs. **Thereafter, such payment may be made only upon payment of the penalty provided in subdivision (b)(13) based on the amount of the increase in the indebtedness.**”

Modification Agreements

- **Issue:** late filed modification agreement with unpaid penalties
- First – If you receive one of these, and you collect the tax, you also need to collect any penalty that is due.
- Tenn. Code Ann. § 67-4-409(d) places the duty of collection, reporting, and paying over to the state on the county register.
- If the filer refuses to pay the penalty, you can refuse to record the modification agreement until both tax and penalty are paid.

Information Required on Modified or Amended Deeds

A modified conveyance deed or deed of trust should contain at least the book and page of the previous document to ensure that the proper tax was previously paid when originally filed.

Assumption Agreements

- There are two types of assumption agreements.
- The most common type is an arrangement where the purchaser promises to pay the debt of the seller, but the seller remains liable on the debt in the case of default. Indebtedness tax is **not** due on this type of assumption agreement, as there is no new debt, only a continuation of the existing debt.
- The other type is one whereby the purchaser enters into a new contract with the mortgagee, changing the terms of the mortgage and canceling the seller's obligation. Indebtedness tax **is due** on this type of assumption agreement because a new indebtedness is created. Under this type of agreement, tax is due on the new mortgage.

Transfer to LLC

- **Question:** Is a transfer of property from an individual to an LLC subject to transfer tax?
- **Answer:** Yes. This type of transfer is not listed among the tax-exempt transfers in Tenn. Code Ann. § 67-6-409(a)(1)(C).
 - If the transfer is by warranty deed, the tax is on the fair market value of the property being recorded.
 - If the transfer is by quitclaim deed, the tax would apply to the actual amount of consideration.

Proving Recordation Tax Has Been Paid to Another Jurisdiction

To prove recordation tax has been paid in another jurisdiction, the individual will need to provide the name of the jurisdiction where the tax was paid, along with the book and page where the document was recorded.

How to Determine Fair Market Value of Property

- The Department would accept as the FMV of the property:
 - the tax base that is listed in the local tax assessor's office, or
 - a recent appraisal that has been accepted by the assessor's office when disputing the tax base.
- Anything less is subject to audit by the Department and could be assessed, along with penalties and interest.

Warranty Deed with Retained Life Estate

- The recordation tax on the transfer of a warranty deed with a retained life estate is based on the fair market value (FMV) of the property less the value of the life estate. The preparer of the deed is responsible for calculating the value of the life estate. The valuation must reflect the fair market value of the property, life estate, and remainder interest.
- There are two alternatives the preparer may use when calculating the value of the life estate.

Warranty Deed with Retained Life Estate

Alternative 1

The preparer may use the tables referenced in Tenn. Comp. R. & Regs. 1320-4-9-.01 (1983), which have been reproduced as Table VIII-A and VIII-B in Tennessee Code Annotated Volume 13 (Supp. 2017).

Multiply the life estate factor that applies to the life estate holder by the FMV of the property being transferred to determine the life estate value. Once the value of the life estate has been determined that amount should be subtracted from the FMV of the property. Recordation tax is owed on that amount. The preparer of the deed must show the calculation of the life estate when filing the deed.

Warranty Deed with Retained Life Estate

Example:

In September 2018, a father, age 70, transfers property valued at \$250,000 to his daughter, but he retains a life estate in the property.

Applicable interest rate per Table VIII-A is 6%

Life estate factor for a male aged 70 is .41294

FMV of property	\$250,000
Life estate factor	<u>x .41294</u>
Life estate value	\$ 103,235

FMV of property	\$250,000
Life estate value	<u>- 103,235</u>
Recordation tax base	\$146,765

Recordation tax base	\$146,765
Recordation tax rate	<u>x .0037</u>
Recordation tax due	\$ 543.03

Warranty Deed with Retained Life Estate

Alternative 2

The preparer may use the IRS Actuarial Computation Tables (select Section 1, Table S under Publication 1457). The actuarial factors used must be based on an interest rate that is equal to 120% of the midterm applicable federal rate for the month of valuation rounded to two-tenths of a percent (the applicable interest rate is provided at <https://www.irs.gov/businesses/small-businesses-self-employed/section-7520-interest-rates>).

Multiply the life estate factor that applies to the life estate holder by the FMV of the property being transferred to determine the life estate value. Once the value of the life estate has been determined that amount should be subtracted from the FMV of the property. Recordation tax is owed on that amount. The preparer of the deed must show the calculation of the life estate when filing the deed.

Warranty Deed with Retained Life Estate

Example:

In September 2018, a father, age 70, transfers property valued at \$250,000 to his daughter, but he retains a life estate in the property.

Applicable interest rate for September 2018 is 3.4%

Life estate factor at the 3.4% interest rate for a person aged 70 is .35876

FMV of property	\$250,000
Life estate factor	<u>x .35876</u>
Life estate value	\$ 89,690

FMV of property	\$250,000
Life estate value	<u>- 89,690</u>
Recordation tax base	\$160,310

Recordation tax base	\$160,310
Recordation tax rate	<u>x .0037</u>
Recordation tax due	\$ 593.15

Working with Revenue

There are two attorneys in the Revenue Legal Office who work on recordation taxes:

Bernadette Welch – Bernadette.Welch@tn.gov

Chris Hunt – Christopher.Hunt@tn.gov

- Email is the best way to reach us. It's best to email us both in case one of us is out of the office that day.
- If you have a question about a filing, please send a copy of the document you are asking about. It's easier for us to advise you if we can review the document.
- Be sure to include your contact information if we can't send email back to the email you contacted us from.
- We recognize that your filings must be processed or rejected the day they are received. We do our best to get you an answer as soon as possible.

Department of Revenue Website

- Home Page: <https://www.tn.gov/revenue>
- Help Desk: <https://revenue.support.tn.gov/hc/en-us>
- Recordation Tax Website Link:
<https://www.tn.gov/revenue/taxes/local-taxes/recordation-taxes.html>
- Recordation Tax Manual:
<https://www.tn.gov/revenue/tax-resources/legal-resources/tax-manuals/recordation-tax.html>

Questions?