

D.C. Transfer and Recordation Taxes On Track to Decrease to 2.9%

June 15, 2023

D.C.'s recordation and transfer tax rates on commercial or mixed-use properties are on track to decrease to a combined rate of 2.9% for transactions closing after September 30, 2023.

On October 1, 2019, the District increased both recordation and transfer tax rates from 1.45% to 2.5% for a combined total of 5% on commercial or mixed-use (Class 2) property deed transfers of over \$2 million.¹ The District also increased the recordation tax rate for applicable D.C. deeds of trust from 1.45% to 2.5%. Finally, the District increased the recordation tax rate from 2.9% to 5% for transfers of economic interests in certain entities that own D.C. real property.

By restoring its recordation and transfer tax rates to the pre-October 1, 2019, levels on commercial or mixed-use (Class 2) properties, the combined tax rates for deed transfers in D.C. will be comparable to surrounding Maryland counties, with Montgomery County under 3.77% (effective October 1, 2023), Prince George's County at 2.45%, and Charles County at 2.0%. However, D.C.'s combined recordation and transfer tax rates are still significantly higher than those in nearby Virginia jurisdictions, which are approximately 0.63% or less.

At the District's fiscal year 2024 budget hearing on May 16, 2023, some members of the D.C. Council considered postponing the planned sunset of the increased tax rates, and Councilmember Zachary Parker proposed a budget amendment to that effect. Parker argued that his proposed tax extension would generate additional funds for housing vouchers, food security, and rental assistance. Several councilmembers opposed extending the higher tax rates, expressing concern that doing so could discourage building sales and inhibit downtown revitalization. Parker ultimately withdrew the amendment. On May 30, 2023, the D.C. Council gave its final and unanimous approval of the Fiscal Year 2024 Local Budget Act of 2023 (Bill 25-203). On June 13, 2023, the D.C. Council also unanimously approved the Fiscal Year 2024 Budget Support Act of 2023 (Bill 25-202). These two pieces of budget legislation will now be forwarded to Mayor Muriel Bowser, who will have ten days to either approve or veto. After Mayor Bowser provides her approval, the legislation will be subject to a 30-day review by Congress and will be effective upon publication in the D.C. Register.

If the planned sunset of the higher tax rates proceeds as anticipated, the recordation and transfer tax rates will be restored to the pre-October 1, 2019 levels, effective at the beginning of the District's next fiscal year, October 1, 2023.

If you have any questions about this legislative update, please contact a member of the Goulston & Storrs [Real Estate Acquisitions and Dispositions Group](#).

¹See D.C. Code §§ 42-1103 and 47-903.