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| NOTICE TO ALL OUR VALUED CLOSING PARTNERSREVISIONS TO THE NEW JERSEY REAL ESTATE TRANSFER TAX AND “MANSION TAX”

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| **NEW FEES WILL BE COLLECTED ON FILES IN EXCESS OF $2 MILLION EVEN IF CLOSING BEFORE JULY 10TH, 2025. FOR CLOSINGS ON OR AFTER JULY 10TH, WITH CONTRACTS FINALIZED BEFORE JULY 10TH, WE WILL BE ASKING FOR CONFIRMATION AS TO WHO WILL BE PAYING ALL TRANSFER TAXES.** **Background**On June 30, 2025, Governor Murphy signed bill S4666 / A5804 into law. The new law eliminates Buyer responsibility for paying a “Mansion Tax” (N.J.S.A. 46:15-7.2 ) and imposes new fees upon the seller as substantially increasing the rates on transfers for more than $2,000,000.00. These changes are effective **July 10, 2025.**This shift of responsibility from buyer to seller and change in fee structure leaves a number of open questions which we will highlight below**.** Due to the lack of guidance from the State and the lack of certainty in the legislation, our Company will now require the new fees to be collected at closing, either held in escrow or paid to the State. **What we know.**The new fees imposed on the seller are in addition to the Realty Transfer Fee (N.J.S.A. 46:15-5 et seq.). And although no regulatory guidance or tax forms are yet available (more on that below), N.J.S.A. 46:15-7.2 now contemplates the following fee structure for the "Mansion Tax", which consists of five potential rates, depending on the total amount of consideration stated in the deed: * Consideration of $1,000,000.00 to $2,000,000.00: 1% of the entire consideration
* Consideration of $2,000,000.01 to $2,500,000.00: 2% of the entire consideration
* Consideration of $2,500,000.01 to $3,000,000.00: 2.5% of the entire consideration
* Consideration of $3,000,000.01 to $3,500,000.00: 3% of the entire consideration
* Considerations above $3,500,000.00: 3.5% of the entire consideration

As before, the "Mansion Tax" applies to transfers of properties that have been classified by the municipal tax assessor as Class 2, 3A (if the farmland contains a residential dwelling), 4A, or 4C (if a cooperative unit). Conveyances for less than $1,000,000.00 remain exempt from the tax.**Timing of recording**The legislation applies to "transfers of real property made for consideration in excess of $1 million which is recorded on or before November 15, 2025 and transferred pursuant to a contract that was fully executed before July 10, 2025."We do not know how the NJ Division of Taxation, and the State's twenty-one county recording offices will treat deeds executed before July 10th, submitted for recording on July 9th or sooner but actually indexed by a county recording officer on or after July 10th or rejected and resubmitted at a later date July 12 or later. Therefore, we will require the increased tax be collected. Revisions to N.J.S.A. 46:15-7.4 will allow a grantor to claim a refund from the NJ Division of Taxation for any "Mansion Tax" paid in excess of the old 1% rate, but only if the contract for the sale of real estate was executed prior to July 10, 2025, and the deed is recorded prior to November 15, 2025. **Tax forms**We are still waiting for the NJ Division of Taxation to either eliminate or replace the **Affidavit of Consideration for Use by Buyer** (form RTF-1EE) or potentially revise the **Affidavit of Consideration for Use by Seller** (form RTF-1) before the July 10 implementation date. Accordingly, in addition to the payment of the increased tax, the revised form(s) will also need to be affixed to deeds submitted for recording. It is suggested that everyone closely monitor the Division of Taxation's website for new forms. However, this is a tight timeframe, and it is unclear how the counties will react in the event that new forms are not available by the statute's effective date.**Practical Tips for the Real Estate Practitioner**1. Review all pending contracts and contact your clients regarding the change in law.
2. Review all new contracts for language regarding the Mansion Tax or any other transfer taxes so you don’t create contract obligations overriding the new statutory presumption.
3. On new contracts, try to finalize “attorney review” prior to July 10th. The statute is not specific as to what “under contract” means.
4. Partial Exemptions for Seller’s to the RTF may not apply to the new fees. Until the State provides guidance, assume they do not apply.

We are available to answer your questions on this matter. You can contact me directly at mcohen@tworiverstitle.com. |
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