

**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.