

Memorandum Urging Approval

REAL PROPERTY LAW SECTION

RPLS #1-A GOV

September 12, 2014

S. 3479-A

By: Senator Golden

A. 1582-A

By: M. of A. Lentol

Senate Committee: Judiciary

Assembly Committee: Judiciary

Effective Date: Immediately

AN ACT to amend the Tax Law and the Administrative Code of the City of New York in relation to the liability of referees for interest and penalties in connection with transfer taxes on deeds.

LAW AND SECTIONS REFERRED TO: Various Sections of the Tax Law and the Administrative Code of the City of New York.

THE REAL PROPERTY LAW SECTION SUPPORTS THIS LEGISLATION AND URGES APPROVAL

In many cases, especially when the foreclosing lender is the successful bidder at a foreclosure sale, the Referee is presented with a deed to sign immediately, thereby putting title in the successful bidder's name. The successful bidder is often anxious to obtain the Referee's deed promptly so that it can commence any necessary eviction proceedings to obtain vacant possession of the real property. In the common scenario where the foreclosing lender takes title, no funds are ever delivered to the Referee because the foreclosing lender is entitled to credit bid up to the amount of the judgment without advancing any funds. As a result, the Referee does not ever receive a bid deposit or any other proceeds of the sale. The foreclosing lender records the deed and pays the transfer taxes. Thus, the Referee never comes into possession of any funds to pay any transfer taxes nor does the Referee have any control over the deed once it is executed and delivered to the successful bidder.

Even in cases where the successful bidder is not the foreclosing lender and the Referee comes into possession of funds, if the Terms of Sale require the Referee to pay the transfer taxes, the Referee customarily turns over the funds necessary to pay the transfer taxes to the purchaser or to the purchaser's title insurer together with the Referee's Deed and any other required closing documents. Even in these instances, the Referee has no ability to control the timely payment of the transfer taxes once they are delivered to the purchaser. Motivated to record the deed promptly, the purchaser should, and does, pay the transfer taxes as required. Justifiably, the Referee should not be required to make sure the purchaser does so. Nor should the Referee be held accountable for any delay on the purchaser's part.

