

Government of the District of Columbia

Office of the Chief Financial Officer

Office of Tax and Revenue



August 5, 2024

OTR TAX NOTICE 2024-03

This Notice Replaces and Supersedes OTR Tax Notice 2022-09

(dated November 15, 2022)

NOTICE REGARDING APPLICATION OF THE PURCHASE MONEY EXEMPTION TO SECURITY INTEREST INSTRUMENTS

D.C. Official Code § 42-1102(5) provides a recordation tax exemption for: “A purchase money mortgage or purchase money deed of trust that is recorded simultaneously with the deed conveying the real property for which the purchase money mortgage or purchase money deed of trust was obtained”.

D.C. Official Code § 42-1103(b-1) prescribes the requirements for a purchase money mortgage or purchase money deed of trust (instrument). In part, the instrument must be: 1) recorded with the deed conveying title to the real property to the purchaser”; and 2) “executed by the purchaser of the real property”. An instrument may qualify to receive the purchase money exemption to the extent its amount does not exceed the purchase price of the real property.

A lease is not a “deed conveying title” under D.C. Official Code § 42-1103(b-1); consequently, a mortgage or deed of trust granted to secure indebtedness incurred to acquire a leasehold is not a purchase money mortgage or purchase money deed of trust and is not entitled to the purchase money exemption.

The requirements of D.C. Official Code § 42-1103(b-1) pertain to the deed of title conveying the property encumbered by the instrument and the purchaser to whom the property is conveyed. No other transactions, properties or property owners are contemplated by the exemption; provided that unsecured, personal guarantees will not disqualify a deed of trust or mortgage from the purchase money exemption. Combination of an instrument with a refinance or modification of other deeds of trust or mortgages involving other real properties or other owners is not contemplated by the statute.

Since exemptions are narrowly construed, the Recorder of Deeds (ROD) gives notice that, for an

instrument to qualify for a purchase money exemption and to be consistent with the requirements of the statute, the instrument must encumber only the real property purchased by the purchaser (which may consist of more than one lot or parcel) and be executed only by the purchaser of such real property. Other properties may not be encumbered by, or other property owners may not be parties to, the instrument.

If the lots or parcels of real property acquired by the purchaser are conveyed by separate deeds of title, an allocation of the principal amount of the mortgage or deed of trust must be made among the deeds. The requirements of D.C. Official Code § 42-1103(b-1) and the purchase money exemption, including the requirement of simultaneous recording, must be satisfied with respect to the security interest instrument and the amount of indebtedness allocated to each deed of title.

For additional information, please call ROD's Customer Service Center at (202) 727-5374.