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Real Estate Ownership: Rhode Island

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A Q&A guide to commercial real estate laws for owners and purchasers in Rhode Island. This Q&A addresses state laws and customs that impact the ownership and the purchase and sale of commercial real estate, including real property taxes, transfer taxes, instruments for transferring fee title, execution and recording requirements, necessary disclosures, title insurance matters, and risk of loss. Federal, local, or municipal law may impose additional or different requirements. Answers to questions can be compared across a number of jurisdictions (see Real Estate Ownership: State Q&A Tool).

Types of Estates and Taxable Real Property

1. When an estate in real property is conveyed, granted, or demised, is it deemed to be transferred as an absolute fee simple estate?

In Rhode Island, when real property is conveyed, granted, or demised, it is deemed to be transferred as an absolute fee simple estate, unless a lesser estate is specified or is made clear otherwise (R.I. Gen. Laws § 34-11-27).

2. Is there specific language which must appear in a deed to convey an absolute fee simple estate?

Rhode Island does not require the use of specific words to convey an absolute fee simple estate (R.I. Gen. Laws § 34-11-27). Rhode Island law provides statutory forms that are sufficient to convey title to real property (R.I. Gen. Laws § 34-11-22).

3. What other freehold estates are permitted? Briefly describe each.

In addition to a fee simple absolute, life estates are used occasionally in Rhode Island (R.I. Gen. Laws § 34-4-2). Under a life estate, the grantee holds title to real property's title for a term expiring on the death of either:

- The fee title owner.
- Another person expressly specified in the instrument creating the life estate.

The life of the owner, or the expressly designated third-party, is the "measuring life" of the life estate.

Real Property Taxes

4. In relation to real property taxes, please describe:

- The kind of property that is taxable as real property.
- Any kind of real property that is exempt from real property taxes.
- The current rate and nature of the taxes (for example, assessed value or school tax).
- The payment and collection procedures.

Property Treated as Real Property

All real property in Rhode Island is subject to taxation unless otherwise provided (R.I. Gen. Laws § 44-3-1). The following are some classifications of "real property" for real property taxation purposes:

- Commercial real estate, including:
  - office buildings;
  - manufacturing facilities;
  - recreational facilities;
  - quarries; and
  - agricultural properties.
- Residential real estate, including:
  - apartment buildings;
  - condominiums;
  - multi-family dwellings; and
  - single-family homes.

Exemptions

Various types of property are exempt from real property taxes. The most common categories for exemption are:

- Property owned by the US or the State of Rhode Island.
- Property used for charitable or educational purposes.
- Religious institutions.

(R.I. Gen. Laws § 44-3-3(a)(1), (2), and (5).)

Other exemptions include, but are not limited to, those:

- Based on the use of the property.
- Based on the owner's status, for example, the elderly, disabled, or veterans.
- That are specific to certain towns or cities.

(R.I. Gen. Laws §§ 44-3-3.1 to 44-3-65.)

Rate and Nature of Taxes

The rate for taxes is a product of assessed value multiplied by the tax rate (which, aside for some specific exemptions, is limited to a 4% overall cap on annual increases to the municipality's total levy under R.I. Gen. Laws § 44-5-2(b)) set by:

- The municipality in which the property lies.
- Various tax levies of districts serving the property, for example, sewer districts and fire districts.

Real property tax rates are set annually, usually in July or August.

Payment and Collection

Municipalities generally send out tax bills in July or August of each year. Payments are usually due in four installments, unless the total tax is less than $100. Payments are often due in August, October, January, and April following the receipt of the tax bill.

If the property owner does not pay first installment or any later tax installment by the last date of the respective installment period, then the whole tax or remaining unpaid balance of the tax immediately becomes due and payable and carries a penalty at the rate of:

- At least 6% per year.
- Not more than 18% per year.
- In the case of the city of Cranston, not more than 12% per year.

(R.I. Gen. Laws § 44-5-8(a).)

In addition, each municipality may, following a party's failure to pay the first installment or a subsequent installment by the last date of the installment period, require the immediate payment of that installment only and to impose an interest charge only on that late installment (R.I. Gen. Laws § 44-5-8(b)).

Tax assessment, payment, and collection practices vary by jurisdiction. Consult with local counsel or a title company (or contact the applicable taxing authority directly) to verify these details.

Instruments and Execution Requirements

5. What deeds (or other instruments) are used to convey fee title and which is most commonly used? Briefly describe each.

Several different kinds of deeds can convey fee title. The most common deeds used in Rhode Island are:

- Warranty deeds (see Warranty Deed).
- Quitclaim deeds (see Quitclaim Deed).

Real property buyers commonly seek warranty deeds because they provide the greatest protection for the grantee.

There are also certain deeds tied to the office or position of the grantor, for example:

- Executor's deeds (R.I. Gen. Laws §34-4-27).
- Administrator's deeds.
- Guardian and conservator's deeds (R.I. Gen. Laws § 44-9-24).
- Receiver's deeds.
- Commissioner's deeds.

(R.I. Gen. Laws § 34-11-12.)

Warranty Deed

A general warranty deed provides the grantee with certain covenants and warranties from the grantor, including:

- A warranty of the grantor's clear fee title subject only to noted encumbrances.
- A warranty of the grantor's ownership of the real property
- A warranty of the grantor's undisputed right to convey the real property.
- A covenant to defend against title claims by third parties.
- A covenant that the grantee will peaceably and quietly have and enjoy the granted premises.

(R.I. Gen. Laws §34-11-15.)

Rhode Island law provides the statutory form sufficient to convey title to real property by warranty deed (R.I. Gen. Laws §34-11-12(1)).

Quitclaim Deed

A quitclaim deed provides the grantee with the grantor's interest in the real property, whatever that may be, without any covenants or warranties from the grantor (see *Sakonnet Point Marina Ass'n, Inc. v. Bluff Head Corp.*, 798 A.2d. 439, 442 (R.I. 2002)). A deed with the words "remise, release, and forever quit claim" is construed to represent a quitclaim deed.

Rhode Island law provides the statutory form sufficient to convey title to real property by quitclaim deed (R.I. Gen. Laws §34-11-12(2)).

6. Are there any specific state or local recording requirements necessary to record a deed? In particular, please specify if:

- Specific officers must sign for a corporation or other entity.
- Specific language is required to evidence the authority of a signatory for a corporation or other entity.
- A certificate of authority to do business in your state is required if the grantee on the deed is a foreign company.
- The corporation's seal is required on the signature page.
- There are specific margins or headings required for the deed.
- A cover page is required for recording.
- There are any other requirements.

The following general requirements are not exclusive. There may be additional local recording obligations. Confirm the applicable procedures with a title company or by contacting the recording office directly (see Question 12).

For information on whether Rhode Island has adopted electronic signatures, electronic recording, or remote online notarization (RON), see Question 21.

Officers

Rhode Island law does not require that a specific officer sign a deed on behalf of a corporation.

Language for Signature Block

Though not required by statute, the signatory's name and title should appear in the signature and notary blocks on the deed to prevent ambiguity about the capacity in which the person is signing.

Authorization to Do Business

Rhode Island does not require a certificate of authority to do business if the grantee on the deed is a foreign company. However, Rhode Island tax law does require certain tax withholding when the grantor on the deed is a foreign company (R.I. Gen. Laws § 44-30-71.3).

Corporate Seal

Rhode Island law does not require that a corporate seal be affixed to the deed (R.I. Gen. Laws §34-11-2).

Margins or Headings

Rhode Island law does not require any specific margins or headings.

Cover Page

Rhode Island law does not require the use of a cover page.

Other Requirements

Every deed presented for recording due to the sale of the property, which results in a transfer of ownership, must contain the total dollar amount of the actual sale (R.I. Gen. Laws § 34-11-1.4).

7. Provide the statutory form of acknowledgment for:

- An individual.
- A corporation.
- A limited liability company.
- A limited partnership.
- A trustee.

The Rhode Island General Laws do not prescribe a specific notary clause form of acknowledgment for real estate sale transactions (R.I. Gen. Laws § 34-12-1). The commissioning agency must develop short-form notarial certificates for remote notarizations (R.I. Gen. Laws § 42-30.1-12.2(g)). The forms below are based on the Sample Acknowledgment Notarial Certificate found in the Notary Public Manual.

Rhode Island has adopted remote online notarization (RON) (R.I. Gen. Laws § 42-30.1-1 to 42-30.1-24; Question 21). There may be specific requirements for acknowledgments certified using RON. For more information, see Electronic Signatures, Recording, and Notarization Laws for Real Estate Transactions: State Comparison Chart: Rhode Island.

Individual

STATE OF RHODE ISLAND)

COUNTY OF [COUNTY])

On this [DATE] day of [MONTH], [YEAR], before me, the undersigned notary public, personally appeared [NAME OF INDIVIDUAL] and proved to me, through satisfactory evidence of identification, to be the person whose name is signed on the attached document, and who acknowledged that [HE/SHE/THEY] signed the document voluntarily for its stated purpose.

[SEAL] [SIGNATURE OF NOTARY PUBLIC]

[NOTARY PUBLIC]

Notary ID #: [NUMBER]

My Commission Expires: [DATE]

Representative Capacity (Corporation, Limited Liability Company, Limited Partnership, or Trust)

STATE OF RHODE ISLAND)

COUNTY OF [COUNTY])

On this [DATE] day of [MONTH], [YEAR], before me, the undersigned notary public, personally appeared [NAME OF INDIVIDUAL(S)] as [TITLE OF AUTHORITY] of [ENTITY NAME] and proved to me, through satisfactory evidence of identification, to be the person whose name is signed on the attached document, and who acknowledged that [HE/SHE/THEY] signed the document voluntarily for its stated purpose in such capacity.

[SEAL] [SIGNATURE OF NOTARY PUBLIC]

[NOTARY PUBLIC]

Notary ID #: [NUMBER]

My Commission Expires: [DATE]

Disclosures, Necessary Filings, and Transfer Taxes

8. Must the ultimate (whether direct or indirect) beneficial owner of an entity that owns real property be publicly disclosed? Briefly describe what is required and in what circumstances.

Under the federal Corporate Transparency Act (CTA) (31 U.S.C. § 5336), non-exempt entities formed or registered to do business in the United States must report their beneficial ownership information (BOI) to the Treasury Department's Financial Crimes Enforcement Network (FinCEN). The reporting deadline depends on the entity's date of formation or registration. Reporting companies must also update their BOI report with any changes to previously reported information.

For more information on the CTA, see Practice Note, Corporate Transparency Act (CTA) Beneficial Ownership Reporting and FinCEN's FAQs.

Under Rhode Island state law, the only information that must be publicly disclosed is the name of the owner, which may be:

- A corporation.
- A trust.
- An individual.
- A limited liability company.
- Another entity.

9. When a corporation is the fee title owner of real property, must it record any documents to evidence a merger, conversion, or name change?

In Rhode Island, to evidence a merger, conversion, or name change, a corporation must, within 60 days, file a certificate with the city or town clerk or the recorder of deeds where the property is located that both:

- Is duly acknowledged or notarized.
- Lists the previous and new names.

(R.I. Gen. Laws § 34-13-11.)

The city or town clerk or recorder of deeds must record and index the certificate in the land records (R.I. Gen. Laws § 34-13-11).

10. In connection with state and local transfer, stamp, or similar taxes and direct transfers of real property:

- Describe any taxes which apply when fee title ownership is directly transferred.
- What transfer tax returns (or other documents) must be filed for direct transfers of real property?
- What is the timing for filing the returns and paying the transfer taxes on direct transfers?
- Are transfer taxes customarily paid by the purchaser or the seller in a direct transfer of real property?

Applicable Taxes for Direct Transfers

In Rhode Island, there is a tax on every deed, instrument, or writing, where real property is either:

- Granted.
- Assigned.
- Transferred.
- Conveyed.
- Vested.

(R.I. Gen. Laws § 44-25-1(a).)

For the tax to apply, the real property must be sold for more than $100 (R.I. Gen. Laws § 44-25-1(a)).

The current tax rate is $2.30 per $500 of consideration, or fractional part of it, including the value of any lien or encumbrance remaining at the time of sale (R.I. Gen. Laws § 44-25-1(a)).

There may be additional local transfer tax obligations. Confirm any local transfer tax requirements with a title company or by contacting the applicable taxing authority or recording office.

Returns

Rhode Island does not require any transfer tax returns. The transfer tax is paid to the municipal clerk recording the deed (R.I. Gen. Laws §44-25-1(a)).

Filing and Payment Deadlines

The tax must be paid at the time of recording, as a condition to acceptance of the deed for recording by the land evidence records clerk (R.I. Gen. Laws §44-25-1(a)).

Custom

Under Rhode Island law, unless there is an agreement to the contrary, the grantor, assignor, transferor, or person making the conveyance or vesting pays the transfer tax (R.I. Gen. Laws § 44-25-1(a)).

However, the party responsible for paying the transfer tax is negotiable.

11. In connection with state and local transfer, stamp, or similar taxes and indirect transfers of ownership interests in real property:

- Does an indirect transfer of real property ownership interests trigger transfer taxes? For example, would the transfer of corporate or membership interests of an owner of real property trigger transfer taxes?
- What transfer tax returns (or other documents) must be filed for indirect transfers of real property ownership interests?
- What is the timing for filing the returns and paying the transfer taxes on indirect transfers?
- Are transfer taxes customarily paid by the purchaser or the seller in an indirect transfer of real property ownership interests?

Applicable Taxes for Indirect Transfers

In Rhode Island, certain indirect transfers of interests in real property have the same tax requirements and consequences as direct transfers (see Question 10).

An indirect transfer of real property interests triggers the transfer tax if it has the effect of making any real estate company an acquired real estate company (R.I. Gen. Laws § 44-25-1(a)).

A real estate company is a corporation, limited liability company, partnership, or other legal entity that either:

- Is primarily engaged in the business of holding, selling, or leasing real estate, 35 or fewer persons hold 90% or more of the real estate's ownership, and the company:
  - derives 60% or more of its annual gross receipts from the ownership or disposition of real estate; or
  - owns real estate, the value of which comprises 90% or more of the value of the entity's entire tangible asset holdings, with certain exceptions.
- Has 90% or more of its ownership interests held by 35 or fewer persons and owns 90% or more of the fair market value of its assets as a direct or indirect interest in a real estate company.

(R.I. Gen. Laws § 44-25-1(f).)

An acquired real estate company is a "real estate company" that has changed its ownership interest, if the change both:

- Does not affect the continuity of the company's operations.
- Either alone or together with prior changes has the effect of granting, transferring directly or indirectly, assigning, conveying, or vesting 50% or more of the total ownership in the company within a period of three years.

(R.I. Gen. Laws § 44-25-1(e).)

Confirm any local transfer tax requirements with a title company or by contacting the applicable taxing authority or recording office.

Returns

The transferor must complete and file the Acquired Real Estate Company Conveyance Tax Return (Form CVYT-2) and a copy of the purchase and sale agreement with the Rhode Island Division of Taxation's Excise Tax Section (Rhode Island Division of Taxation, Real Estate Conveyance Tax).

Filing and Payment Deadlines

The transferor must file written notification of the transfer and pay the applicable tax at least five days before the transfer (R.I. Gen. Laws § 44-25-1(g)).

Custom

Under Rhode Island law, unless there is an agreement to the contrary, the grantor, assignor, transferor, or person making the conveyance or vesting pays the transfer tax (R.I. Gen. Laws § 44-25-1(a)).

Recording Interests and Title Insurance

12. Where are ownership interests recorded and how are they indexed?

In Rhode Island, real property ownership interests are recorded with the various municipalities' land evidence offices (R.I. Gen. Laws §34-13-1). Each municipality maintains a grantor-grantee index allowing searches by either name (R.I. Gen. Laws §§ 34-13-5 and 34-13.1-6).

Local requirements vary. Consult the applicable recording office for the county or counties in which the real property is located.

13. Do title insurance companies or attorneys typically conduct title searches?

Both title insurance companies and attorneys conduct title searches in Rhode Island.

14. What form of title assurance is available to a purchaser? For example, is an abstract of title, a title insurance policy, or a title opinion more common?

Most Rhode Island purchasers obtain an owner's policy of title insurance. Very few opinions of title or abstracts of title are used today.

15. Are title insurance premiums or service charges for owners' title insurance policies regulated? Is the cost of title insurance negotiable within a specified range of rates? Are there any discounts available for reissued policies?

Title insurance charges are based on rates the insurers file with the Rhode Island Department of Business Regulation, Division of Insurance Regulation (R.I. Gen. Laws §§ 27-2.6-16 and 27-44-6). There is little or no negotiation to the title insurance rates filed. Title insurance companies may offer some discounts if the company or its underwriter has written a recent policy on the property.

16. List the title endorsements available for an owner's title insurance policy for non-residential property.

In Rhode Island, each underwriter has a list of endorsements it offers. The following is a nonexclusive list of endorsements commonly used in Rhode Island commercial real estate transactions. Not all endorsements are applicable to each transaction. For a full list of available endorsements, see the Rhode Island Department of Business Regulation, Division of Insurance Regulation or consult with a title company.

The most common endorsements are:

- American Land Title Association (ALTA) 3.1-06 (Zoning – Completed Structure).
- ALTA 6-06 and 6.2-06 (Variable Rate Mortgages).
- ALTA 8.2-06 (Commercial Environmental Protection Lien).
- ALTA 9-06 (Restrictions, Encroachments, Minerals – Loan Policy).
- ALTA 11.1-06 (Mortgage Modification with Subordination).
- ALTA 13-06 (Leasehold – Owner's).
- ALTA 13.1-06 (Leasehold – Loan).
- ALTA 14-06 (Future Advance – Priority - With MML).
- ALTA 14.1-06 (Future Advance – Knowledge - With/Without MML).
- ALTA 14.2-06 (Future Advance – Letter of Credit - With/Without MML).
- ALTA 14.3-06 (Future Advance – Reverse Mortgage - With/Without MML).
- ALTA 17.2-06 (Utility Access).
- ALTA 18.2-06 (Multiple Tax Parcel).
- ALTA 19-06 (Contiguity – Multiple Parcels).
- ALTA 25-06 (Same as Survey).
- ALTA 25.1-06 (Same as Portion of Survey).
- ALTA 26-06 (Subdivision).

ALTA's forms are available on ALTA's website (subscription required).

Risk of Loss

17. Is the risk of loss during the contract period typically on the seller or on the purchaser if the contract is silent?

Generally, the risk of loss remains with the seller in Rhode Island while a sale contract is pending. This can be varied by the contract terms, though most often the contract provides that the seller bears the risk of loss and must maintain insurance on the property.

Real Property Investment Vehicles

18. What are the most common forms of investment vehicle for real property and what are the most common entities used?

There is no predominant structure for acquiring real estate in Rhode Island. Limited liability companies, however, are widely used and continue to gain in popularity for tax and personal liability reasons.

19. Are real estate investment trusts (REITs) or similar entities currently permitted? If so, are they common?

Rhode Island permits real estate investment trusts (REITs). However, they are not commonly used.

Regulation and Taxation

20. Is there significant regulation and taxation of real property locally? Is there significant variation in the regulation and taxation?

In Rhode Island, the largest variable in local real estate regulation or taxation is the municipal levy. Municipalities may have a widely varying levy depending on many factors, including:

- The mix of properties in the municipality.
- The values of the properties.
- The amount of untaxed or exempt properties.

Electronic Signatures, Recording, and Notarization Laws

21. Has your state adopted laws permitting electronic signatures, electronic recording, and remote notarization? In particular, include information on whether:

- The Uniform Electronic Transactions Act (UETA) or another law giving electronic signatures legal effect has been adopted.
- The Uniform Real Property Electronic Recording Act (URPERA) or another law permitting the recording of electronic signatures has been adopted.
- The Revised Uniform Law on Notarial Acts (RULONA) or another law permitting remote online notarization (RON) has been permanently adopted and/or temporary remote online notarization is permitted on an emergency basis due to the coronavirus pandemic.

Despite Rhode Island's adoption of the applicable electronic laws referred to below, the transaction parties or recording offices may not be required to accept documents executed or notarized electronically. Before relying on any of the below electronic laws for a particular transaction, counsel should confirm (as applicable) that:

- All parties to the transaction agree to accept electronic signatures and/or remotely notarized documents and intend to be bound by them.
- The applicable recording office accepts electronic signatures and remotely notarized documents for recording.

Electronic Signatures

Rhode Island has adopted the UETA (R.I. Gen. Laws §§ 42-127.1-1 to 42-127.1-20.).

Electronic Recording

Rhode Island has adopted the URPERA (R.I. Gen. Laws §§ 34-13.2-1 through 34-13.2-6).

Remote Online Notarization

Rhode Island has adopted RON (R.I. Gen. Laws §§ 42-30.1-1 to 42-30.1-24).

There may be specific requirements for performing RON. Reference should be made to the statute, any applicable emergency orders, and any rules promulgated by the secretary of state or other state authority to understand all RON requirements and conditions.

For a state-by-state chart covering key provisions of RON laws, emergency orders permitting RON during the COVID-19 pandemic, and pending electronic recording and RON laws, see Electronic Signatures, Recording, and Notarization Laws for Real Estate Transactions: State Comparison Chart. To view and customize comparison charts on electronic signatures, recording, and notarization laws across states, see Quick Compare Chart, State Laws on Electronic Signatures, Electronic Recording, and Remote Notarization.