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DOCUMENTARY TRANSFER TAX RATE ADJUSTMENTS FOR THE CITY OF LOS ANGELES

Measure ULA – Los Angeles City Transfer Tax

UPDATE! New Rates go into effect July 1, 2024.

Effective April 1, 2023, the City of Los Angeles, pursuant to the passing of Measure ULA, imposed a significant transfer tax increase on the sale of “high value” properties within the boundaries of Los Angeles City. These values will be changing for transactions closing after June 30, 2024. The new tax thresholds will be \$5,150,000 and \$10,300,000. Transactions above \$5,150,000 but under \$10,300,000 will be assessed a 4% city transfer tax and transactions \$10,300,000 and up will be assessed a 5.5% city transfer tax. Separately the city of Los Angeles imposes a 0.45% “Base Tax” and the County of Los Angeles imposes a Documentary Transfer Tax of \$1.10 per \$1,000 of the sales price.

Certain qualified affordable housing organizations are exempt from the tax. To qualify for an exemption, the transferee must show a history of affordable housing development and/or housing property management experience, as determined by the Los Angeles Housing Department. Additionally, the measure will not apply to certain housing, nonprofit and public entities.

Measure ULA (aka the Mansion Tax) will raise funding for affordable housing and tenant assistance programs. Both sellers and buyers of commercial and residential real estate need to be aware of this new tax and its impact on the net purchase price in a purchase and sale transaction. It is anticipated that this new tax will have a ripple effect in the market as the extra cost is significant and likely changes underwriting assumptions.

The ballot measure established the House LA Fund to collect tax revenue and allocate funds to projects designed to prevent homelessness and to address housing availability at certain income thresholds. The ballot measure also created a citizen's oversight committee tasked with developing funding guidelines, assessing project needs, and auditing expenditures.



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