

City of Sycamore Real Estate Transfer Tax Procedures

On March 21, 2006, the voters passed a referendum authorizing the City of Sycamore to impose a municipal transfer tax. As a Home Rule municipality, the City may impose such a tax on the transfer of real estate within its corporate boundaries. Sycamore has chosen to do so as part of a “Sycamore Solution” to offset school funding shortfalls. The funds generated by this tax will be passed along to Sycamore School District #427. An ordinance establishing the tax was passed by the City Council on April 17, 2006 (Ordinance 2005.93).

Things you should know:

Effective Date: The tax will be imposed on all transfers of real estate located within the City limits which take place on or after **JUNE 1, 2006**.

Buyer Tax: The payment of the tax is the responsibility of the Buyer or agent.

Exemptions: There are several exemptions available. All real estate transactions that are subject to State and County transfer tax exemptions (see 35 ILCS 200/31-45) will be exempt from the City of Sycamore’s municipal transfer tax. In addition, individuals who purchase *homestead real estate* within the City and have been *residents of the City of Sycamore for 12 consecutive months* immediately prior to the date of application for exemption are exempt from payment of the tax. Those seeking exemption based upon residency (subsection N of Section 3-20-6 of the Sycamore Municipal Code) will need to apply at the office of the City Treasurer, 308 West State Street, Sycamore, Illinois, between the hours of 8:30 a.m. and 5:00 p.m., Monday through Friday to obtain an exempt stamp. It will **not** be necessary to obtain an exempt stamp if you are exempt pursuant to other subsections of Section 3-20-6, which track the State of Illinois exemptions. A valid exempt stamp indicating exemption under the State and County exemptions on the deed will be sufficient.

Commercial Property: Commercial or industrial property is *not* exempt, regardless of whether the Buyer is a Sycamore resident.

Calculation of Tax: The tax is calculated at \$5 per every \$1000 of consideration (purchase price), or at ½ of 1 per cent (.005). It is best calculated by taking the purchase price, dividing by 1000, rounding to the next highest whole number, and multiplying by 5.

Affixing of the Stamp: The transfer tax stamp (or exemption stamp, if applicable) must be affixed to the deed prior to recording of the deed. The County Recorder may not record the deed if there is no stamp, unless an exemption is applicable. The stamp must be affixed in a location is practical for County recording purposes. It cannot obscure information on the deed, cannot be placed in the County Recorder’s 3”x5” space in the upper right hand corner of the document, and will incur an additional fee if located anywhere within a ½-inch margin on the edge of the page. The City will provide a Recording Cover Sheet upon request for anyone desiring it.

Lost or Stolen Stamps: If a transfer tax stamp or exempt stamp is lost or stolen, it *cannot* be replaced. It will be necessary to purchase another stamp.

Refunds: If a transfer tax stamp is purchased and is returned to the City without having been cancelled (defaced), because (for example) of last minute changes in purchase price necessitating a different stamp amount, or a failed closing, a refund is possible and will be issued at the discretion of the City Treasurer.

Determining whether real estate is located within the corporate limits of the City of Sycamore: All property with a Sycamore address is not necessarily located within the City’s boundaries. If you are unsure as to whether the property is inside or outside the City, the best practice is to examine the real estate tax bill. Property within the City reflects a line allocated to “City of Sycamore” among the taxing bodies. Current tax codes that reflect that the property is located within the City of Sycamore are: Cortland Township: CO 10, CO 11; DeKalb Township: DK 10, DK 11, DK 14, DK 15, DK 26; and Sycamore Township: SY 07, SY 08, SY 50.

How to Obtain the Transfer Tax Stamp:

There are two ways the buyer can obtain a transfer tax stamp:

- 1.) The title company can calculate the amount of tax required by using the transfer tax application form.
 - The buyer will pay the tax at the time of closing (which will be included on the buyer's side of the HUD-1 Settlement Statement).
 - At the closing a check will be processed to the City of Sycamore for the amount of the required real estate transfer tax.
 - The title company will purchase the appropriate stamp from the City prior to recording the deed. A signed copy of the PTAX form or a fully executed real estate contract must be presented to the City Treasurer along with the transfer tax application form signed by the buyer or agent.
 - The title company's closing agent will affix the transfer tax stamp to the deed, trust document or instrument of conveyance prior to recording.

- 2.) The buyer or buyer's agent purchases the transfer tax stamp prior to closing.
 - The buyer or agent may obtain a transfer tax application form at the City's Finance Office or on-line at www.cityofsycamore.com.
 - The buyer or agent may then bring a fully executed copy of the real estate contract or a fully completed PTAX form signed by all parties, if available) to the City's Finance Office.
 - Based on the real estate contract (or PTAX form) the transfer tax application is completed and transfer tax is calculated.
 - The buyer or agent purchases a transfer tax stamp (cash, check or credit card) in the proper amount.
 - The buyer or agent brings the stamp to closing.
 - The closing agent will affix the stamp to the deed, trust document or instrument of conveyance.

Checks should be made out to the City of Sycamore

How to Obtain the Residency Exemption Stamp:

If the buyer has established residency within the corporate limits of the City of Sycamore for a period of at least one year prior to the date of application for exemption (subsection n of Section 3-20-6 of the Sycamore Municipal Code), the buyer should complete the transfer tax exemption form.

- The buyer or agent can obtain the transfer tax exemption form at the City's Finance Office or on-line at www.cityofsycamore.com.
- The buyer or agent will complete the transfer tax exemption form and bring it to the City's Finance Office to receive a transfer tax exemption stamp.
- An existing Sycamore homeowner should bring a copy of the real estate deed for verification.
- If the buyer is a renter who has established residency, a copy of the executed lease, utility bills or other verification will be required.
- Other evidence of residency may be considered by the City Treasurer in evaluating whether a residency exemption is legitimate.
- The residency exemption will be approved by the City Treasurer or designee and the buyer or agent will be given an exemption stamp that they will need to bring to closing.
- The exemption stamp will be affixed to the deed, trust document or instrument of conveyance by the closing agent.

If the transaction is Exempt based upon other State criteria:

If the claimed exemption is under subsections **c, d, e, f, g, h, i, j, l, or m**, no application for exemption nor transfer tax form need be filled out and no exempt stamp from the City of Sycamore is necessary. The County Recorder will

require a certification or stamp of exemption for the State and County transfer taxes, and the City of Sycamore will rely on this.

If the claimed exemption is under subsection **a, b, k, or n**, **an application for exemption and transfer tax form will need to be filled out and filed with the City Treasurer.**

If claimed exempt under subsection **a**, evidence that the actual transfer of real estate (i.e. contract installment sale) took place prior to June 1, 2006 must be submitted.

If claimed exempt under subsection **b**, a transfer tax form showing all relevant information and exemption form must be completed by the governmental entity claiming exemption.

If claimed exempt under subsection **k**, a transfer tax form and exemption form must be completed by the exchanging party. Only the money difference or money's worth paid will be subject to transfer tax.

If claimed exempt under subsection **n**, the procedures set forth above regarding residency exemption must be followed.

Examples:

OUT OF TOWN BUYER. Mr. and Ms. Jones currently live in Elgin and are purchasing a home for \$272,300 in Sycamore and will be closing on the property June 9, 2006. How does the Transfer Tax apply in this scenario and what should Mr. and Ms. Jones do?

The first thing Mr. and Ms. Jones will need to do is determine if the property they are purchasing is within the corporate limits of City of Sycamore. Looking at the real estate tax bill, Mr. and Mrs. Jones notice the words "CITY OF SYCAMORE" listed on one of the taxing body lines. The property is therefore within the City, and a transfer tax will be owed.

Since the property is within the City, Mr. and Mrs. Jones need to determine how they wish to pay the transfer tax. There are two ways they can pay the tax: (1) they can pay at the closing or (2) they can come to the City's Finance Office at 308 West State Street in downtown Sycamore and purchase a stamp prior to closing. If the Mr. and Mrs. Jones decide to pay the tax at closing as part of the title company's handling of the transaction, they simply need to ensure that the transfer tax is collected on the Buyer's side of the HUD-1 Settlement Statement. The title company representative will then disburse a check at closing payable to the City of Sycamore and will purchase a stamp to be affixed to the deed immediately prior to recording it.

If the Mr. and Mrs. Jones decide that they wish to purchase the stamp prior to closing, they (or their authorized agent) may do so at the City's Finance office at 308 West State Street. They will need to bring a fully executed copy of the real estate sales contract (which reflects the purchase price) or a fully executed copy of the PTAX form down to the City Treasurer, who will use this document in calculating the municipal transfer tax. To calculate the tax, the Treasurer will round the purchase price up to the next thousand dollar increment and multiply by .005. Here, the calculation will be 272,300 divided by 1,000 = 272.3. This will be rounded up to the next whole number, 273, and multiplied by 5. (alternatively, it can be calculated this way: \$272,300 rounded up to the next \$1,000 increment is \$273,000, which is then multiplied by 5/1000 or .005 to arrive at the transfer tax). The transfer tax is thus calculated at \$1,365.00. Mr. and Mrs. Jones or their agent will sign the Transfer Tax application, pay for and receive their stamp through cash, check, or credit card, and proceed with the closing.

If the closing does not occur for some reason, or the purchase price changes for some reason, Mr. and Mrs. Jones will return the unused stamp to the City Treasurer's office for a refund or for a recalculation of that tax and issuance of a stamp in a different amount.

SYCAMORE HOMEOWNER. Mr. Kelly has owned a home in Sycamore for more than a year and is purchasing a new home in Sycamore for \$284,000 which is set for closing on June 27, 2006. What should Mr. Kelly do?

The first thing Mr. Kelly should do is verify that his existing residence is within the City of Sycamore's corporate limits. Mr. Kelly can determine this by examining his real estate tax bill. If there is a listing for "CITY OF SYCAMORE" under taxing body in the breakdown of tax rates, his property is within the City limits. He may want to verify that the new home is also within the City limits. Assuming both properties are within the City limits, what should he do next?

Mr. Kelly needs to complete a Certificate of Exemption form (available at the City's Finance Office and on-line at www.cityofsycamore.com) and turn in the form, along with proof of his residency, to the City Treasurer at 308 West State Street, Sycamore. On the Certificate of Exemption, Mr. Kelly will check box "n" and bring a copy of his real estate tax bill from his existing property to the City's Finance Office. The exemption will be reviewed, approved, and Mr. Kelly will receive an exemption stamp to bring to the closing.

SYCAMORE RENTER. Ms. Thompson has rented an apartment in Sycamore for the past five years and is looking to purchase a home within the City's corporate limits. How does the Transfer Tax Apply?

Assuming that Ms. Thompson can establish that she has resided within the City's limits for more than 12 consecutive months prior to closing, she will be exempt from the real estate transfer tax notwithstanding the fact that she has not owned real estate within the City. Ms. Thompson will need to complete a Certificate of Exemption form and check box "n." She will need to bring verification of her status as a resident along with the Certificate of Exemption to the City's Finance Office for review by the City Treasurer. Verification may include a verifiable and fully executed lease demonstrating residence during the appropriate period, canceled rent checks, a driver's license showing an issue date along with demonstration that the individual has resided in City during the relevant time period, utility bills, or any other documentation deemed sufficient by the City Treasurer as demonstrating residence within the City limits for 12 consecutive months prior to application for exemption. Once verified, the exemption will be recorded and Ms. Thompson will receive an exemption stamp to bring to the closing.