

Measure ULA – An Additional Transfer Tax on Real Estate Transfers

December 2, 2022

Measure ULA, also known as the Homelessness and Housing Solutions Tax (**HHS Tax**), and usually referred to as a “mansion tax,” has been approved by voters. The measure creates a new tax on certain property transfers in the city of Los Angeles.

What Real Estate Professionals Need to Know

- The tax applies to both residential and commercial real property sales valued over \$5 million.
- The tax is an additional transfer tax and does not replace nor modify the existing LA County and LA City transfer taxes.
- The HHS Tax will apply a tax rate of 4 percent to properties sold for \$5 million or more but less than \$10 million, and a 5.5 percent rate to properties sold for \$10 million or more.
- The HHS Tax applies to the gross sale value and there is no reduction for existing debt at the time of sale, which is not the case in respect of the normal transfer tax. For example, if a property with a \$5 million outstanding mortgage sells for \$6 million, the HHS Tax will be \$240,000 (4 percent x \$6 million). If a property with a \$20 million mortgage is sold for \$20 million, the HHS Tax will be \$1.1 million (5.5 percent x \$20 million).
- The HHS Tax takes effect on April 1, 2023 and will apply to property transfers on or after that date.
- The HHS Tax thresholds of \$5 million and \$10 million will be adjusted for inflation each year.
- Property transfers with “qualified affordable housing organization” transferees, certain nonprofit transferees and governmental transferees will be exempt from this tax.

What Must Be Determined

- Whether transfers of interests in legal entities that result in a change of ownership in real property will trigger the HHS Tax.
 - Whether the California transfer tax statutory exemptions will apply to the HHS Tax (for example, in foreclosure sales).
 - How the tax will be applied to real property transfers involving separate real property interests; in other words, will sales of multiple properties in a series of transactions be aggregated to determine achieving the threshold levels?
 - What will become the established custom as to who pays: the buyer, the seller, or both will split the tax.
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CONTACTS

The economic effects of the HHS Tax will be significant and widespread within the city of Los Angeles. Please do not hesitate to reach out with questions to your Katten attorney or one of the [Real Estate](#) attorneys listed below.



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