

HOUSE BILL 1

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Q6

2004 Regular Session  
4r1412

(PRE-FILED)

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By: **The Speaker and Delegates Hixson, Conway, Healey, Barkley, Benson, Bobo, Bromwell, Bronrott, Busch, Cadden, Cane, G. Clagett, V. Clagett, Conroy, Cryor, D. Davis, DeBoy, Doory, Dumais, Franchot, Goldwater, Griffith, Harrison, Howard, Hurson, James, Jones, Kaiser, Kelley, King, Kirk, Krysiak, Lee, Love, Madaleno, Malone, Mandel, Marriott, McHale, McIntosh, Menes, Minnick, Moe, Montgomery, Pendergrass, Proctor, Quinter, Ramirez, Rosenberg, Sophocleus, Taylor, V. Turner, Vallario, and Vaughn**

Requested: November 17, 2003

Introduced and read first time: January 14, 2004

Assigned to: Ways and Means

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A BILL ENTITLED

1 AN ACT concerning

2 **Public School Construction Assistance Act of 2004**

3 FOR the purpose of imposing recordation and transfer taxes on the transfer of  
4 controlling interest in certain entities owning certain interests in real property  
5 in Maryland; requiring the counties and Baltimore City for certain fiscal years  
6 to dedicate certain recordation tax revenues to public school construction and  
7 renovation; providing for the distribution of certain State transfer tax revenues  
8 to a special fund to be used only for public school construction and renovation in  
9 certain counties; requiring the filing of a certain report; providing for a filing  
10 fee; establishing the rate of taxation and the method of calculation of tax  
11 liability; exempting certain transfers; providing for interest and a penalty for  
12 certain filings; requiring the Department of Assessments and Taxation to adopt  
13 certain regulations; requiring the Department of Assessments and Taxation to  
14 deduct and credit certain revenues to a certain fund; defining certain terms;  
15 requiring the State to provide a certain percentage of eligible cost of public  
16 school construction with respect to certain State funding for school construction;  
17 providing for a delayed effective date; and generally relating to the taxation of  
18 transfers of controlling interests in certain entities.

19 BY repealing and reenacting, with amendments,  
20 Article - Tax - Property  
21 Section 12-110(d) and 13-209(a)  
22 Annotated Code of Maryland  
23 (2001 Replacement Volume and 2003 Supplement)

24 BY adding to  
25 Article - Tax - Property

1 Section 12-110(e), 12-116, and 13-103  
 2 Annotated Code of Maryland  
 3 (2001 Replacement Volume and 2003 Supplement)

4 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
 5 MARYLAND, That the Laws of Maryland read as follows:

6 **Article - Tax - Property**

7 12-110.

8 (d) (1) THE DEPARTMENT SHALL DEDUCT THE COST OF ADMINISTERING  
 9 THE RECORDATION TAX FROM THE TAXES COLLECTED UNDER THIS TITLE AND  
 10 CREDIT THOSE REVENUES TO THE FUND ESTABLISHED UNDER § 1-203.3 OF THE  
 11 CORPORATIONS AND ASSOCIATIONS ARTICLE.

12 (2) [The] AFTER DEDUCTING THE REVENUES REQUIRED UNDER  
 13 PARAGRAPH (1) OF THIS SUBSECTION, THE recordation tax collected under [§  
 14 12-103(d)] §§ 12-103(D) AND 12-116 of this title shall be paid to the Comptroller.  
 15 [After deduction of the cost to the Department of collecting the tax, the] THE  
 16 Comptroller shall distribute the revenue to the counties in the ratio that the  
 17 recordation tax collected in the prior fiscal year in each county bears to the total  
 18 recordation tax collected in all counties in that year.

19 (E) (1) EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS SUBSECTION, FOR  
 20 EACH FISCAL YEAR BEGINNING ON OR AFTER JULY 1, 2004, BUT BEFORE JULY 1, 2008,  
 21 FROM THE RECORDATION TAX REVENUE RECEIVED FOR THE FISCAL YEAR EACH  
 22 COUNTY AND BALTIMORE CITY SHALL DISTRIBUTE THE FOLLOWING AMOUNT TO A  
 23 SPECIAL FUND, TO BE USED ONLY TO PAY FOR THE COSTS OF PUBLIC SCHOOL  
 24 CONSTRUCTION AND RENOVATION, INCLUDING PAYMENT OF DEBT SERVICE ON  
 25 BONDS ISSUED TO PAY FOR PUBLIC SCHOOL CONSTRUCTION AND RENOVATION:

26 ALLEGANY	103,412
27 ANNE ARUNDEL	2,883,652
28 BALTIMORE CITY	2,926,538
29 BALTIMORE	5,322,865
30 CALVERT	109,668
31 CAROLINE	54,897
32 CARROLL	304,482
33 CECIL	146,747
34 CHARLES	337,673
35 DORCHESTER	126,520
36 FREDERICK	669,812
37 GARRETT	98,669
38 HARFORD	839,569

1	HOWARD	1,818,471
2	KENT	65,054
3	MONTGOMERY	7,837,548
4	PRINCE GEORGE'S	4,759,390
5	QUEEN ANNE'S	108,248
6	ST. MARY'S	351,464
7	SOMERSET	17,712
8	TALBOT	213,038
9	WASHINGTON	333,278
10	WICOMICO	168,140
11	WORCESTER	403,155

12           (2)       FOR THE FISCAL YEAR BEGINNING JULY 1, 2004, THE AMOUNT  
13 REQUIRED TO BE DISTRIBUTED TO THE SPECIAL FUND BY EACH COUNTY AND  
14 BALTIMORE CITY IS ONE HALF OF THE AMOUNT SPECIFIED IN PARAGRAPH (1) OF  
15 THIS SUBSECTION.

16           (3)       RECORDATION TAX REVENUES DEDICATED TO PUBLIC SCHOOL  
17 CONSTRUCTION AND RENOVATION UNDER THIS SUBSECTION ARE INTENDED TO  
18 SUPPLEMENT FUNDING FOR PUBLIC SCHOOL CONSTRUCTION AND RENOVATION  
19 AND MAY NOT SUPPLANT OTHER COUNTY OR STATE FUNDING FOR PUBLIC SCHOOL  
20 CONSTRUCTION AND RENOVATION.

21 12-116.

22       (A)     (1)       IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS  
23 INDICATED.

24           (2)       "CONTROLLING INTEREST" MEANS:

25                   (I)       MORE THAN 80% OF THE TOTAL VALUE OF ALL CLASSES OF  
26 STOCK OF A CORPORATION;

27                   (II)      MORE THAN 80% OF THE TOTAL INTEREST IN CAPITAL AND  
28 PROFITS OF A PARTNERSHIP, ASSOCIATION, LIMITED LIABILITY COMPANY, OR OTHER  
29 UNINCORPORATED FORM OF DOING BUSINESS; OR

30                   (III)     MORE THAN 80% OF THE BENEFICIAL INTEREST IN A TRUST.

31           (3)       "FINAL TRANSFER" MEANS THAT TRANSFER OF ANY PORTION OF A  
32 CONTROLLING INTEREST WHICH COMPLETES THE TRANSFER OF A CONTROLLING  
33 INTEREST IN A REAL PROPERTY ENTITY.

34           (4)     (I)       "PLAN OF TRANSFER" MEANS AN INTENTIONAL PLAN OR  
35 PROGRAM TO TRANSFER THE CONTROLLING INTEREST IN A REAL PROPERTY ENTITY.

1 (II) "PLAN OF TRANSFER" DOES NOT INCLUDE A SERIES OF SALES  
2 OF SHARES OF A PUBLICLY TRADED ENTITY.

3 (5) (I) "REAL PROPERTY" MEANS REAL PROPERTY LOCATED IN THE  
4 STATE.

5 (II) "REAL PROPERTY" DOES NOT INCLUDE:

6 1. A LEASEHOLD, UNLESS CREATED BY A LEASE THAT IS  
7 REQUIRED TO BE RECORDED UNDER § 3-101(A) OF THE REAL PROPERTY ARTICLE; OR

8 2. ANY MORTGAGE, DEED OF TRUST, OR OTHER LIEN UPON  
9 OR SECURITY INTEREST IN REAL PROPERTY THAT SECURES AN INDEBTEDNESS.

10 (6) (I) "REAL PROPERTY ENTITY" MEANS A CORPORATION,  
11 PARTNERSHIP, ASSOCIATION, LIMITED LIABILITY COMPANY, LIMITED LIABILITY  
12 PARTNERSHIP, OTHER UNINCORPORATED FORM OF DOING BUSINESS, OR TRUST  
13 THAT DIRECTLY OR BENEFICIALLY OWNS REAL PROPERTY THAT:

14 1. CONSTITUTES AT LEAST 80% OF THE VALUE OF ITS  
15 ASSETS; AND

16 2. HAS AN AGGREGATE VALUE OF AT LEAST \$500,000.

17 (II) FOR THE PURPOSES OF THIS PARAGRAPH, THE VALUE OF REAL  
18 PROPERTY SHALL BE DETERMINED WITHOUT REDUCTION FOR ANY MORTGAGE,  
19 DEED OF TRUST, OR OTHER LIEN UPON OR SECURITY INTEREST IN THE REAL  
20 PROPERTY.

21 (III) "REAL PROPERTY ENTITY" DOES NOT INCLUDE AN ENTITY  
22 WITH LAND HOLDINGS THAT, OTHER THAN HOMESITES OR AREAS OF COMMERCIAL  
23 ACTIVITY RELATED TO AGRICULTURAL PRODUCTION, ARE ENTIRELY SUBJECT TO AN  
24 AGRICULTURAL USE ASSESSMENT UNDER § 8-209 OF THIS ARTICLE.

25 (B) (1) THE RECORDATION TAX IS IMPOSED ON THE TRANSFER OF A  
26 CONTROLLING INTEREST IN A REAL PROPERTY ENTITY AS IF THE REAL PROPERTY  
27 DIRECTLY OR BENEFICIALLY OWNED BY THE REAL PROPERTY ENTITY WERE  
28 CONVEYED BY AN INSTRUMENT OF WRITING THAT IS RECORDED WITH THE CLERK  
29 OF THE CIRCUIT COURT FOR A COUNTY OR FILED WITH THE DEPARTMENT UNDER §  
30 12-102 OF THIS SUBTITLE.

31 (2) (I) THE RECORDATION TAX IS IMPOSED ON THE CONSIDERATION  
32 PAYABLE FOR THE TRANSFER OF THE CONTROLLING INTEREST IN THE REAL  
33 PROPERTY ENTITY.

34 (II) THE CONSIDERATION TO WHICH THE RECORDATION TAX  
35 APPLIES INCLUDES THE AMOUNT OF:

1 1. ANY MORTGAGE, DEED OF TRUST, OR OTHER LIEN UPON  
2 OR SECURITY INTEREST IN THE REAL PROPERTY DIRECTLY OR BENEFICIALLY  
3 OWNED BY THE REAL PROPERTY ENTITY; AND

4 2. ANY OTHER DEBT OR ENCUMBRANCE OF THE REAL  
5 PROPERTY ENTITY.

6 (III) THE CONSIDERATION TO WHICH THE RECORDATION TAX  
7 APPLIES IS REDUCED BY THE AMOUNT ALLOCABLE TO THE ASSETS OF THE REAL  
8 PROPERTY ENTITY OTHER THAN REAL PROPERTY.

9 (IV) THE REAL PROPERTY ENTITY HAS THE BURDEN OF  
10 ESTABLISHING TO THE SATISFACTION OF THE DEPARTMENT THE CONSIDERATION  
11 REFERRED TO IN SUBPARAGRAPH (I) OF THIS PARAGRAPH AND THE AMOUNT OF ANY  
12 CONSIDERATION ALLOCABLE TO ASSETS OTHER THAN REAL PROPERTY REFERRED  
13 TO IN SUBPARAGRAPH (III) OF THIS PARAGRAPH.

14 (V) IF THE REAL PROPERTY ENTITY FAILS TO ESTABLISH THE  
15 AMOUNT OF CONSIDERATION REFERRED TO IN SUBPARAGRAPH (I) OF THIS  
16 PARAGRAPH, THE RECORDATION TAX IS IMPOSED ON THE VALUE OF THE REAL  
17 PROPERTY DIRECTLY OR BENEFICIALLY OWNED BY THE REAL PROPERTY ENTITY  
18 DETERMINED BY THE DEPARTMENT AT THE DATE OF FINALITY IMMEDIATELY  
19 BEFORE THE DATE OF THE FINAL TRANSFER.

20 (3) EXCEPT AS OTHERWISE PROVIDED IN § 12-103(D) OF THIS SUBTITLE,  
21 THE RECORDATION TAX IS APPLIED AT THE RATE SET UNDER § 12-103(B) OF THIS  
22 SUBTITLE BY THE COUNTY WHERE THE REAL PROPERTY IS LOCATED.

23 (C) (1) THE TRANSFER OF A CONTROLLING INTEREST IN A REAL PROPERTY  
24 ENTITY IS NOT SUBJECT TO RECORDATION TAX IF THE TRANSFER OF THE REAL  
25 PROPERTY BY AN INSTRUMENT OF WRITING BETWEEN THE SAME PARTIES AND  
26 UNDER THE SAME CIRCUMSTANCES WOULD HAVE BEEN EXEMPT UNDER § 12-108 OF  
27 THIS SUBTITLE.

28 (2) THE RECORDATION TAX IS NOT IMPOSED ON THE TRANSFER OF A  
29 CONTROLLING INTEREST IN A REAL PROPERTY ENTITY EFFECTED IN MORE THAN  
30 ONE TRANSACTION IF:

31 (I) THE TRANSFER IS COMPLETED OVER A PERIOD OF MORE THAN  
32 12 MONTHS; OR

33 (II) THE TRANSFER IS NOT MADE IN ACCORDANCE WITH A PLAN OF  
34 TRANSFER.

35 (3) THE RECORDATION TAX IS NOT IMPOSED ON THE TRANSFER OF A  
36 CONTROLLING INTEREST IN A REAL PROPERTY ENTITY TO ANOTHER BUSINESS IF  
37 THE OWNERSHIP INTERESTS IN THE TRANSFEREE BUSINESS ENTITY ARE HELD BY  
38 THE SAME PERSONS AND IN THE SAME PROPORTION AS IN THE REAL PROPERTY  
39 ENTITY THE CONTROLLING INTEREST OF WHICH WAS TRANSFERRED.

1 (4) THE RECORDATION TAX IS NOT IMPOSED ON THE TRANSFER OF A  
2 CONTROLLING INTEREST IN A REAL PROPERTY ENTITY IF EACH TRANSFEROR, EACH  
3 TRANSFEREE, AND EACH REAL PROPERTY ENTITY IS:

4 (I) A SUBSIDIARY CORPORATION, ALL OF THE STOCK OF WHICH IS  
5 OWNED, DIRECTLY OR INDIRECTLY, BY A COMMON PARENT CORPORATION;

6 (II) A PARTNERSHIP, ALL OF THE INTERESTS IN WHICH ARE  
7 OWNED, DIRECTLY OR INDIRECTLY, BY ONE OR MORE SUBSIDIARIES OR THE  
8 COMMON PARENT CORPORATION; OR

9 (III) THE COMMON PARENT CORPORATION.

10 (5) THE RECORDATION TAX IS NOT IMPOSED ON THE TRANSFER OF A  
11 CONTROLLING INTEREST IN A REAL PROPERTY ENTITY IF THE TRANSFEREE OF THE  
12 CONTROLLING INTEREST IN THE REAL PROPERTY ENTITY IS:

13 (I) A NONSTOCK CORPORATION ORGANIZED UNDER TITLE 5,  
14 SUBTITLE 2 OF THE CORPORATIONS AND ASSOCIATIONS ARTICLE; AND

15 (II) REGISTERED WITH THE DEPARTMENT OF AGING AS A  
16 CONTINUING CARE RETIREMENT COMMUNITY UNDER ARTICLE 70B, § 9 OF THE CODE.

17 (6) THE REAL PROPERTY ENTITY HAS THE BURDEN OF ESTABLISHING  
18 TO THE SATISFACTION OF THE DEPARTMENT THE APPLICABILITY OF ANY  
19 EXEMPTION REFERRED TO IN PARAGRAPHS (1) THROUGH (5) OF THIS SUBSECTION.

20 (D) (1) THE REAL PROPERTY ENTITY SHALL FILE WITH THE DEPARTMENT A  
21 REPORT OF ANY TRANSFER OF A CONTROLLING INTEREST IN THE REAL PROPERTY  
22 ENTITY THAT IS COMPLETED WITHIN A PERIOD OF 12 MONTHS OR LESS WITHIN 30  
23 DAYS FOLLOWING THE DATE OF THE FINAL TRANSFER.

24 (2) THE REPORT SHALL INCLUDE ALL INFORMATION TO ESTABLISH TO  
25 THE SATISFACTION OF THE DEPARTMENT:

26 (I) THE CONSIDERATION REFERRED TO IN SUBSECTION (B)(2)(I) OF  
27 THIS SECTION;

28 (II) THE AMOUNT OF ASSETS OTHER THAN REAL ESTATE  
29 REFERRED TO IN SUBSECTION (B)(2)(II) OF THIS SECTION; AND

30 (III) ANY EXEMPTION PROVIDED FOR IN SUBSECTION (C) OF THIS  
31 SECTION.

32 (3) THE REPORT SHALL BE ACCOMPANIED BY PAYMENT OF:

33 (I) A \$20 FILING FEE; AND

34 (II) ANY TAX, INTEREST, AND PENALTY THAT IS DUE.

1 (E) (1) IF ANY TAX DUE UNDER THIS SECTION REMAINS UNPAID FOR 30  
2 DAYS AFTER THE DATE OF THE FINAL TRANSFER, THEN:

3 (I) INTEREST ON THE UNPAID AMOUNT SHALL ACCRUE  
4 THEREAFTER AT THE RATE OF 1% PER MONTH; AND

5 (II) A PENALTY OF 10% OF THE UNPAID AMOUNT SHALL BE DUE.

6 (2) ANY TAX, INTEREST, AND PENALTY DUE UNDER THIS SECTION IS AN  
7 OBLIGATION OF THE REAL PROPERTY ENTITY.

8 (3) FOR REASONABLE CAUSE, THE DEPARTMENT MAY WAIVE THE  
9 IMPOSITION OF INTEREST OR PENALTY.

10 (F) THIS SECTION DOES NOT APPLY TO:

11 (1) A PLEDGE OF STOCK OR OTHER INTEREST IN A REAL PROPERTY  
12 ENTITY AS SECURITY FOR A LOAN; OR

13 (2) THE ADMISSION TO THE REAL PROPERTY ENTITY OF ADDITIONAL  
14 SHAREHOLDERS, PARTNERS, BENEFICIAL OWNERS, OR OTHER MEMBERS INCIDENT  
15 TO THE RAISING OF ADDITIONAL CAPITAL THROUGH A PUBLIC OR PRIVATE  
16 OFFERING OF STOCK OR OTHER INTERESTS IN THE REAL PROPERTY ENTITY IF:

17 (I) THE EFFECTIVE MANAGEMENT OF THE REAL PROPERTY  
18 ENTITY IS NOT SUBSTANTIALLY CHANGED; AND

19 (II) UNDER THE TERMS OF THE OFFERING, NONE OF THE NEW  
20 MEMBERS IS EXPECTED TO PARTICIPATE IN THE DAY-TO-DAY MANAGEMENT OF THE  
21 REAL PROPERTY ENTITY.

22 (G) (1) THE DEPARTMENT SHALL ADOPT REGULATIONS TO ADMINISTER  
23 THIS SECTION.

24 (2) THE REGULATIONS SHALL INCLUDE ANY ADDITIONAL STANDARDS  
25 AND EXEMPTIONS TO ASSURE THAT:

26 (I) A TAX IS IMPOSED WHEN A TRANSACTION IS STRUCTURED  
27 INVOLVING A CONTROLLING INTEREST IN A REAL PROPERTY ENTITY TO AVOID  
28 PAYMENT OF THE RECORDATION TAX;

29 (II) EXEMPTIONS PROVIDED BY LAW WHEN REAL PROPERTY IS  
30 TRANSFERRED BY AN INSTRUMENT OF WRITING ARE APPLICABLE; AND

31 (III) THERE IS NO DOUBLE TAXATION OF A SINGLE TRANSACTION.

32 13-103.

33 (A) IN THIS SECTION, "CONTROLLING INTEREST", "REAL PROPERTY", AND  
34 "REAL PROPERTY ENTITY" HAVE THE MEANINGS STATED IN § 12-116 OF THIS  
35 ARTICLE.

1 (B) (1) THE TAXES UNDER THIS TITLE ARE IMPOSED ON THE TRANSFER OF  
2 A CONTROLLING INTEREST IN A REAL PROPERTY ENTITY AS IF THE REAL PROPERTY  
3 DIRECTLY OR BENEFICIALLY OWNED BY THE REAL PROPERTY ENTITY WERE  
4 CONVEYED BY AN INSTRUMENT OF WRITING THAT IS RECORDED WITH THE CLERK  
5 OF THE CIRCUIT COURT FOR A COUNTY OR FILED WITH THE DEPARTMENT UNDER §  
6 13-202 OF THIS TITLE.

7 (2) THE TAXES UNDER THIS SECTION ARE IMPOSED ON THE  
8 CONSIDERATION PAYABLE FOR THE TRANSFER OF THE CONTROLLING INTEREST IN  
9 THE REAL PROPERTY ENTITY OR ON THE VALUE OF THE REAL PROPERTY DIRECTLY  
10 OR BENEFICIALLY OWNED BY THE REAL PROPERTY ENTITY, AS PROVIDED IN §  
11 12-116(B)(2) OF THIS ARTICLE.

12 (3) (I) EXCEPT FOR THE COUNTY TRANSFER TAX, THE TAXES UNDER  
13 THIS SECTION SHALL BE APPLIED AT THE RATES ESTABLISHED IN THIS TITLE.

14 (II) THE COUNTY TRANSFER TAX SHALL BE APPLIED AT THE RATE  
15 IMPOSED BY THE COUNTY WHERE THE REAL PROPERTY IS LOCATED.

16 (C) THE TAXES UNDER THIS TITLE ARE NOT IMPOSED ON THE TRANSFER OF A  
17 CONTROLLING INTEREST IN A REAL PROPERTY ENTITY IN ANY OF THE  
18 CIRCUMSTANCES DESCRIBED:

19 (1) IN § 13-207 OF THIS TITLE THAT EXEMPTS AN INSTRUMENT OF  
20 WRITING FROM THE TRANSFER TAX; OR

21 (2) IN § 12-116(C) OF THIS ARTICLE THAT EXEMPTS THE TRANSFER OF A  
22 CONTROLLING INTEREST IN A REAL PROPERTY ENTITY FROM THE RECORDATION  
23 TAX.

24 (D) IN EACH INSTANCE IN WHICH A CONTROLLING INTEREST IN A REAL  
25 PROPERTY ENTITY IS TRANSFERRED, THE PROVISIONS OF § 12-116(D) AND (E) OF THIS  
26 ARTICLE ARE APPLICABLE.

27 (E) THIS SECTION DOES NOT APPLY IN THE CIRCUMSTANCES DESCRIBED IN §  
28 12-116(F) OF THIS ARTICLE.

29 (F) THE DEPARTMENT SHALL ADOPT REGULATIONS TO ADMINISTER THIS  
30 SECTION IN THE SAME MANNER AS IN § 12-116(G) OF THIS ARTICLE.

31 13-209.

32 (a) (1) THE DEPARTMENT SHALL DEDUCT THE COST OF ADMINISTERING  
33 THE TRANSFER TAX FROM THE TAXES COLLECTED UNDER THIS TITLE AND CREDIT  
34 THOSE REVENUES TO THE FUND ESTABLISHED UNDER § 1-203.3 OF THE  
35 CORPORATIONS AND ASSOCIATIONS ARTICLE.

36 (2) (I) AFTER DEDUCTING THE REVENUES REQUIRED UNDER  
37 PARAGRAPH (1) OF THIS SUBSECTION:

1                                   1.       FOR THE FISCAL YEAR BEGINNING ON JULY 1, 2004,  
2 \$4,800,000 OF THE REVENUE FROM THE TRANSFER TAX SHALL BE DISTRIBUTED TO A  
3 SPECIAL FUND, TO BE USED ONLY TO PROVIDE ADDITIONAL FUNDING FOR PUBLIC  
4 SCHOOL CONSTRUCTION AND RENOVATION IN QUALIFIED DISTRESSED COUNTIES  
5 AS DEFINED IN ARTICLE 83A, § 5-701 OF THE CODE; AND

6                                   2.       FOR EACH FISCAL YEAR BEGINNING ON OR AFTER JULY 1,  
7 2005, BUT BEFORE JULY 1, 2008, \$9,600,000 OF THE REVENUE FROM THE TRANSFER  
8 TAX SHALL BE DISTRIBUTED TO A SPECIAL FUND, TO BE USED ONLY TO PROVIDE  
9 ADDITIONAL FUNDING FOR PUBLIC SCHOOL CONSTRUCTION AND RENOVATION IN  
10 QUALIFIED DISTRESSED COUNTIES AS DEFINED IN ARTICLE 83A, § 5-701 OF THE  
11 CODE.

12                               (II)     TRANSFER TAX REVENUES DEDICATED TO PUBLIC SCHOOL  
13 CONSTRUCTION AND RENOVATION UNDER THIS PARAGRAPH ARE INTENDED TO  
14 SUPPLEMENT FUNDING FOR PUBLIC SCHOOL CONSTRUCTION AND RENOVATION  
15 AND MAY NOT SUPPLANT OTHER COUNTY OR STATE FUNDING FOR PUBLIC SCHOOL  
16 CONSTRUCTION AND RENOVATION.

17                               (3)     [The] AFTER DEDUCTING THE REVENUES REQUIRED UNDER  
18 PARAGRAPHS (1) AND (2) OF THIS SUBSECTION, THE revenue from transfer tax is  
19 payable to the Comptroller for deposit in a special fund.

20     SECTION 2. AND BE IT FURTHER ENACTED, That, notwithstanding any  
21 other provision of law, for each fiscal year beginning after June 30, 2004, but before  
22 July 1, 2008, with respect to State funding provided for public school construction  
23 projects in qualified distressed counties from the special fund for school construction  
24 established under § 13-209(a)(2) of the Tax - Property Article, the State shall provide:

25       (a)     90% of the eligible costs if the State share for the county for the fiscal year  
26 that began July 1, 2003, was equal to or more than 65%; and

27       (b)     65% of the eligible costs if the State share for the county for the fiscal year  
28 that began July 1, 2003, was less than 65%.

29     SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect  
30 January 1, 2005.