

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 1604
Ways and Means

(Howard County Delegation)

Budget and Taxation

Howard County - Transfer Tax Exemption and Rate Reduction - Law
Enforcement Officers and Fire and Rescue Services Members
Ho. Co. 17-17

This bill establishes a county transfer tax exemption, applicable only in Howard County, for county law enforcement officers or fire and rescue services members. To be eligible for the exemption, the individual must meet the following requirements: (1) the property must be the individual's principal residence; (2) the individual must be a first-time home buyer in Howard County; and (3) the individual must be employed as a county police officer, county deputy sheriff, or a fire and rescue services member for a minimum of three years following the home purchase. In addition, the bill limits the county transfer tax rate to 0.7% for a second and subsequent residential purchase by these individuals.

The bill takes effect July 1, 2017.

Fiscal Summary

State Effect: None.

Local Effect: Howard County transfer tax revenues decrease beginning in FY 2018. The amount of the decrease depends on the number of qualifying home purchases and the consideration paid on each property. *For illustrative purposes only*, county revenues could decrease by over \$100,000 annually for each 25 individuals receiving a transfer tax exemption under the bill. County expenditures are not affected. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: None.

Analysis

Current Law: The State and most counties impose a transfer tax. The State transfer tax rate is set at 0.5% or 0.25% for first-time Maryland homebuyers. The local transfer tax rate in Howard County is set at 1%. Howard County is projected to collect approximately \$23.2 million in local transfer tax revenues in fiscal 2017, as illustrated in **Exhibit 1**.

Background: A similar local transfer tax exemption is provided to local law enforcement officers in Prince George's County. Chapter 373 of 2006 established a county transfer tax exemption for Prince George's County police officers or a municipal police officer who operates in the county. To be eligible for the exemption, the property must be the officer's principal residence and be a first-time home purchase in Maryland. In addition, the county transfer tax is capped at 1% for a second and subsequent residential purchase. Chapter 248 of 2007 extended the exemption for a first-time residential property purchase to Prince George's County deputy sheriffs. Chapter 47 of 2015 caps the Prince George's County transfer tax rate at 1% for a second and subsequent residential property purchase made by a Prince George's County deputy sheriff.

Local Fiscal Effect: Howard County transfer tax revenues decrease beginning in fiscal 2018, depending on the number of qualifying home purchases and the consideration paid on each property. *For illustrative purposes only*, county revenues could decrease by over \$100,000 annually for each 25 individuals receiving a transfer tax exemption under the bill. This estimate is based on the following facts and assumptions:

- median home price in Howard County totals \$437,900 in fiscal 2016;
- 1% local transfer tax rate;
- 677 authorized personnel in the Howard County police department;
- 73 authorized personnel in the Howard County sheriff's office; and
- 468 authorized personnel in the Howard County fire and rescue services department.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Howard County; Judiciary (Administrative Office of the Courts); State Department of Assessments and Taxation; Department of Legislative Services

Fiscal Note History: First Reader - March 14, 2017
md/hlb Third Reader - March 21, 2017

Analysis by: Michael Sanelli

Direct Inquiries to:
(410) 946-5510
(301) 970-5510

Exhibit 1
Transfer Tax Revenue Trend for Fiscal 2015-2017

County	FY 2015	FY 2016	FY 2017	FY 2015-2016		FY 2016-2017		Average Annual Difference
				\$ Difference	% Difference	\$ Difference	% Difference	
Allegany	\$1,031,559	\$1,250,000	\$1,100,000	\$218,441	21.2%	-\$150,000	-12.0%	3.3%
Anne Arundel	42,870,526	48,000,000	47,000,000	5,129,474	12.0%	-1,000,000	-2.1%	4.7%
Baltimore City	34,111,424	32,054,000	35,634,000	-2,057,424	-6.0%	3,580,000	11.2%	2.2%
Baltimore	28,446,146	35,000,000	36,500,000	6,553,854	23.0%	1,500,000	4.3%	13.3%
Calvert	6,308,065	6,300,000	6,426,000	-8,065	N/A	126,000	N/A	N/A
Caroline	1,662,328	1,200,000	1,400,000	-462,328	-27.8%	200,000	16.7%	-8.2%
Carroll	11,888,637	12,600,000	13,500,000	711,363	N/A	900,000	N/A	N/A
Cecil	5,204,845	5,000,000	5,000,000	-204,845	-3.9%	0	0.0%	-2.0%
Charles	16,918,007	11,300,000	11,300,000	-5,618,007	N/A	0	0.0%	N/A
Dorchester	1,262,253	1,600,000	1,600,000	337,747	26.8%	0	0.0%	12.6%
Frederick	25,906,397	24,897,097	28,556,714	-1,009,300	N/A	3,659,617	N/A	N/A
Garrett	1,807,149	1,500,000	1,500,000	-307,149	-17.0%	0	0.0%	-8.9%
Harford	13,048,109	10,500,000	12,450,000	-2,548,109	-19.5%	1,950,000	18.6%	-2.3%
Howard	21,239,512	23,000,000	23,175,000	1,760,488	8.3%	175,000	0.8%	4.5%
Kent	1,075,095	1,178,700	943,492	103,605	9.6%	-235,208	-20.0%	-6.3%
Montgomery	98,826,280	100,796,043	142,712,779	1,969,763	2.0%	41,916,736	41.6%	20.2%
Prince George's	34,105,770	43,531,500	45,272,700	9,425,730	27.6%	1,741,200	4.0%	15.2%
Queen Anne's	5,071,011	5,032,550	4,618,775	-38,461	-0.8%	-413,775	-8.2%	-4.6%
St. Mary's	5,494,821	5,700,000	5,500,000	205,179	3.7%	-200,000	-3.5%	0.0%
Somerset	401,765	460,000	410,000	58,235	N/A	-50,000	N/A	N/A
Talbot	5,887,703	5,200,000	5,300,000	-687,703	-11.7%	100,000	1.9%	-5.1%
Washington	6,078,677	5,800,000	5,800,000	-278,677	-4.6%	0	0.0%	-2.3%
Wicomico	2,860,521	2,912,805	3,012,805	52,284	N/A	100,000	N/A	N/A
Worcester	5,437,913	5,500,000	5,500,000	62,087	1.1%	0	0.0%	0.6%
Total	\$376,944,513	\$390,312,695	\$444,212,265	\$13,368,182	3.5%	\$53,899,570	13.8%	8.6%

Source: Department of Legislative Services; County Budgets