Delegate Palakovich Carr Testimony - HB211 - Affor

Uploaded by: Julie Palakovich Carr

Position: FAV

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Ways and Means Committee

The Maryland House of Delegates
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THE MARYLAND HOUSE OF DELEGATES
Annapolis, Maryland 21401

Testimony in Support of HB 211
Affordable Housing Investment Act

This bill will generate necessary funding to build affordable housing by closing several real estate tax breaks that disproportionately benefit the wealthy.

Maryland currently lacks more than 85,000 affordable units statewide and that need will double this decade.[1] Many residents meet the federal definition of being "cost burdened" by their housing. In 2020, nearly half of American renters spent 30% or more of their income on housing and nearly one in four renters spent at least 50% of their income on housing.[2] Maryland's poverty rate is 10.3%[3] and about 4,000 Marylanders are homeless.[4]

Meanwhile, our tax code provides tax breaks skewed toward benefiting the wealthiest residents. These breaks include those for the most expensive homes and out-of-state vacation properties, as well as for investments in gentrification. We can build much-needed affordable housing for Marylanders by closing these tax loopholes.

This bill would increase state funding for the construction of affordable housing by $20 million a year—a 50% increase—by ending several real estate tax breaks. The increase in revenue will be allocated to the state's Rental Housing Fund, which helps to finance affordable housing through low-interest loans. The fund has been successful at creating and rehabilitating affordable housing throughout Maryland by supplementing other financing options.

End Tax Breaks for Out-of-State Vacation Homes

Homeownership is a goal for many Marylanders, but it's out of reach for too many. One-third of Marylanders don't own their home[5] and the rate is even worse for Black, Hispanic, and Asian residents.[6]

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[1] Maryland Housing Needs Assessment. Maryland Department of Housing & Community Development. https://dhcd.maryland.gov/Documents/Other%20Publications/Report.pdf
[2] U.S. Census Bureau
[3] U.S. Census Bureau
[4] "The 2021 Annual Homeless Assessment Report to Congress." 2022. U.S. Department of Housing and Urban Development. https://www.huduser.gov/portal/sites/default/files/pdf/2021-AHAR-Part-1.pdf
[5] U.S. Census Bureau
[6] "Racial Disparities in Homeownership Rates." National Association of Realtors.

Meanwhile, a fortunate few can afford to own multiple homes. About 5% of the housing stock in the U.S. is second homes.[7]

Federal law currently gives a tax break on the interest payments made on home mortgages of up to $750,000 for a married couple or $375,000 for an individual. Residents can use this deduction for their primary residence and for secondary homes up to the indebtedness cap. Even a yacht can qualify. Because Maryland is coupled to this and most other federal tax provisions, these fortunate few also get a tax break on their state income taxes for out-of-state homes.

Due to the 2017 federal tax reforms that increased the standard deduction, only about one in seven taxpayers nationally itemize their expenses on their taxes, most of whom are among the top 10% by income.[8] The Congressional Research Service reports that households with an annual income of $100,000 or more claim the bulk (88%) of the mortgage interest deduction. As such, it's likely that only the wealthiest Marylanders would qualify for the mortgage interest deduction for a second home.

It doesn't make sense for Maryland to be subsidizing our residents to own property in another state. Every day that these residents spend out of state means less money spent in our local economy supporting local businesses and jobs and generating tax revenues from sales and use tax, gasoline tax, excise taxes, etc.

Wisconsin ended the deduction for out-of-state vacation homes years ago but retained it for in-state secondary homes. Maryland should follow their lead and end the mortgage interest deduction for new sales of out-of-state properties.

Means Test the First-Time Homebuyer Tax Break

Maryland offers first-time homebuyers a break on the transfer taxes for their home. It's laudable that we are helping to make homeownership a reality for residents, but we should ensure that this tax break is helping those who actually need the financial help.

Our current tax break applies to all first-time Maryland homebuyers, regardless of their income or the value of the home they are purchasing. Someone who is buying a million dollar plus home that has a monthly mortgage of $5,000 or more doesn't need a tax break to be able to buy the home.

This provision of the bill would cap the first-time homebuyer transfer tax exemption to the first $1 million in home value. A first-time homebuyer purchasing a home for more than $1 million would not receive the tax break for the excess value of the home.

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[7] National Association of Home Builders
[8] Tax Foundation

The median home price in Maryland is just $338,500 and even for Montgomery County, the median price is $508,600.[9] This means that most homebuyers–not just first-time buyers–are purchasing homes for much less than $1 million. And even in a hot real estate market, a million dollars still buys a lot of house.[10]

This change would only modestly impact homebuyers purchasing a higher end home; for instance, someone buying a $1.5 million home would pay just $1,250 more, with an equal amount paid by the home seller.

End Tax Incentives for Gentrification

The 2017 federal tax reforms allow wealthy investors and corporations to get tax breaks for investing in opportunity zones. Investors get to write off part or all of their capital gains taxes when they invest in a fund targeting economic growth in certain low-income communities. Currently, these investors receive a break on both their federal and state taxes, even if the money is invested outside of Maryland.

Studies on the outcomes of opportunity zones have been universally underwhelming. Researchers found that opportunity zones have "very limited" impacts on job creation and most money is going to real estate developers, not operating businesses.[11] Moreover, opportunity zone investments are largely going to better off neighborhoods, not those with the most need.[12]

Just as troubling, the tax breaks for opportunity zones aren't even needed to spur development. Developers and opportunity zone fund managers surveyed by researchers mostly report that the tax breaks were not critical to their project and some had already committed to their projects before their zone even existed.[13]

Under federal law, opportunity zones can only be invested in by the wealthy few because only capital gains can be invested. (Capital gains are the profits from the sale of an asset, such as stocks, bonds, or real estate.) A typical opportunity zone investor has a median household income of $741,000.[14] This means that the wealthiest 1% of Americans are the primary recipient of this tax break.

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[9] U.S. Census Bureau, median for 2017-2021. According to Zillow, the average in Maryland at the end of 2022 was $407,629 and $583,729 for Montgomery County.

[10] Listings for $1 million and up homes on February 5, 2023 for Montgomery County were nearly all 3,000-6,000 square feet.

[11] "An Early Assessment of Opportunity Zones for Equitable Development Projects." 2020. Urban Institute. https://www.urban.org/research/publication/early-assessment-opportunity-zones-equitable-development-projects/view/full_report

[12] "Measuring the Impact of Opportunity Zones." 2022. David Wessel and Alex Conner. https://www.brookings.edu/wp-content/uploads/2022/12/OZ-conference-write-up_12.20.22.pdf

[13] "The Opportunity Zone Incentive Isn't Living Up to Its Equitable Development Goals. Here Are Four Ways to Improve It." 2020. Urban Institute. https://www.urban.org/urban-wire/opportunity-zone-incentive-isnt-living-its-equitable-development-goals-here-are-four-ways-improve-it

[14] "Neighborhood-Level Investment from the U.S. Opportunity Zone Program: Early Evidence." 2021. Patrick Kennedy and Harrison Wheeler. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4024514

The net effect of the federal tax breaks for investments in opportunity zones is a more than 50% reduction in tax liability. The investor receives this break on both their federal and state taxes, even if they invest in a zone in another state. For these reasons, four states don't give any state tax breaks for opportunity zone investments and another three states only partially conform.

This bill would decouple Maryland from the federal tax incentives for opportunity zones. This provision passed the House of Delegates in 2021 and 2020.

What this Bill Does

- Mandates $20 million in additional funding for the Rental Housing Fund each year. This would supplement, not supplant, what the state budget allocates.
- Ends the mortgage interest deduction on secondary residences located outside the state of Maryland.
- Limits the state's transfer tax exemption to the first $1 million of a home's sale price.
- Decouples Maryland from the federal tax incentives for opportunity zones.

HB 211_MD Center on Economic Policy_FAV.pdf
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MDCEP MARYLAND CENTER ON ECONOMIC POLICY

FEBRUARY 9, 2023

Maryland Communities Need Stronger Housing Investments; Tax Reform Would Make it Possible

Position Statement in Support of House Bill 211

Given before the House Ways and Means Committee

Housing is among the most essential building blocks for individuals, families, and communities. But today, one in three Maryland households spends more on housing than they can afford, including nearly half of renters. Maryland's public investments in rental housing are essential to strengthen the supply of affordable housing, but we are not doing enough to meet communities' needs. **The Maryland Center on Economic Policy supports House Bill 211** because it would enable greater investments in affordable housing, paid for with improvements to our tax code.

There is a housing affordability crisis in Maryland. Nearly one-third of all Maryland households are experiencing unaffordable housing costs, according to research by the National Center for Smart Growth and Enterprise Community Partners.[i] Of these, 67% are homeowners while 33% are renters. Among renters, 48% of households are cost burdened, and among low-income households, 76% are severely cost-burdened. The National Low Income Housing Coalition lists Maryland as the ninth least affordable state for renters. To afford a modest two-bedroom apartment in the state, a family must earn $28.93 an hour or $60,183 annually.[ii] A minimum wage worker in Maryland would have to work 78 hours per week year-round.

When families struggle to pay rent, they face greater risks of instability, eviction, and even homelessness, which research links to food insecurity, poor health, lower cognitive scores and academic achievement, and more frequent foster care placement among children. Unaffordable and unstable housing also perpetuates racial, economic and health disparities in our state. Black Marylanders are more likely to face unaffordable housing costs than their white neighbors. Black Marylanders are also considerably more likely to rent their homes than their white counterparts.[iii]

House Bill 211 would make progress on Marylanders' housing needs by requiring a $20 million annual appropriation to the state's Rental Housing Fund. This fund supports the creation of new affordable rental housing and rehabilitation and improvement of existing housing through low-interest loans. The program prioritizes projects that create deeply affordable homes within reach of low-income families, housing that is guaranteed to remain affordable for several decades, and projects in locations with good amenities, among other criteria. House Bill 211 would strengthen the state's ability to invest in healthy, safe, and affordable housing across Maryland.

House Bill 211 pays for these investments with several reforms to ensure we are taxing real estate fairly:

- The bill decouples Maryland from a giveaway in former President Trump's signature 2017 tax law, which became part of our tax code without any say by Maryland lawmakers. So-called "opportunity zones" offer lucrative tax breaks on capital gains for investors that develop properties in specified areas. While the program ostensibly aims to promote economic opportunity in struggling communities, its structure virtually guarantees that it will primarily benefit wealthy investors and do little to help the communities our economy leaves behind. As of tax year 2020, 70% of household capital gains income in Maryland went to the 1.1% of households with $500,000 or more in federal adjusted gross income.[iv] The House of Delegates passed legislation to decouple Maryland from this tax break in 2021.

- The bill reduces the transfer tax subsidy for first-time homebuyers whose first home purchase is a mansion. For the first $1 million paid for a home, the transfer tax rate would remain 0.25%, half the rate for other real estate transactions. The bill increases the rate from 0.25% to 0.50% only on the excess of the price over $1 million.
- The bill disallows the tax deduction for mortgage interest only for second homes (non-principal residences) located outside Maryland.

Impact of HB 211 Transfer Tax Reform		
Price	**Transfer Tax Change**	**Effective Tax Rate Change**
$500,000	$0	N/A
$1 million	$0	N/A
$1.25 million	$625	+0.050%
$1.5 million	$1,250	+0.083%
$2 million	$2,500	+0.125%

Using fair tax reforms to ensure everyone has a decent place to live would pay major dividends for all Marylanders. Well-located affordable housing can connect families to communities with good-paying jobs, good public schools, and transit – increasing family incomes and providing long-term benefits for children who grow up with greater economic stability.[v] High-quality, well-located affordable housing is a key step to address the ongoing harm from Maryland's history of housing segregation.

For these reasons, the Maryland Center on Economic Policy respectfully requests that the House Ways and Means Committee make a favorable report on House Bill 211.

Equity Impact Analysis: House Bill 211

Bill summary

House Bill 211 mandates an annual appropriation of $20 million to the state's Rental Housing Fund. The bill also includes three tax reforms relating to real estate:

- The bill decouples Maryland from "opportunity zones" capital gains tax breaks under the 2017 federal tax overhaul.
- The bill increases from 0.25% to 0.50% the transfer tax rate on the consideration in excess of $1 million paid by a first-time homebuyer. This equals the transfer tax rate on the full taxable consideration of all other real estate transactions.
- The bill disallows the mortgage interest tax deduction for homes other than principal residences that are located outside Maryland.

Background

The Rental Housing Fund is a special fund of the state whose purpose is to support the state's Rental Housing Program. The program supports the rehabilitation and creation of affordable rental housing for low income and moderate income families, primarily through lending.

- Nearly one-third of all Maryland households are experiencing unaffordable housing costs, including nearly half of renters, according to research by the National Center for Smart Growth and Enterprise Community Partners.[vi]
- The National Low Income Housing Coalition lists Maryland as the ninth least affordable state for renters. To afford a modest two-bedroom apartment in the state, a family must earn $28.93 an hour or $60,183 annually.[vii] A minimum wage worker in Maryland would have to work 78 hours per week year-round.

The Opportunity Zones program was created by the 2017 federal tax overhaul. The program offers several capital gains tax breaks with the stated goal of promoting investment in struggling communities. Because of the ways Maryland's tax code borrows definitions from federal law, Opportunity Zones tax breaks automatically became part of Maryland law without any action by the General Assembly. The House of Delegates in 2021 passed legislation to decouple the state from these tax breaks.

Equity Implications

Maryland's current high housing costs pose significant equity concerns, which would be mitigated by greater public investments in affordable rental housing:

- Three-quarters of low-income households in Maryland face a severe housing cost burden, according to research by the National Center for Smart Growth and Enterprise Community Partners, meaning that more than half their income goes toward housing.
- Black Marylanders are more likely to face unaffordable housing costs than their white neighbors. Black Marylanders are also considerably more likely to rent their homes than their white counterparts.[viii]
- When families struggle to pay rent, they face greater risks of instability, eviction, and even homelessness, which research links to food insecurity, poor health, lower cognitive scores and academic achievement, and more frequent foster care placement among children.

Several provisions of Maryland's tax code reinforce inequity or leave achievable improvements unrealized:

- The wealthiest 1% of Maryland households pay a smaller share of their income in state and local taxes than any other income group.[ix] The Opportunity Zones tax break worsens this imbalance by targeting capital gains. Only 1.1% of Maryland households have federal adjusted gross income of at least $500,000, yet these households accounted for 70% of all capital gains income in tax year 2020.[x]
- While well-designed policies to support homeownership can advance equity, untargeted subsidies like the mortgage interest tax deduction reinforce inequity because they provide little benefit to lower-income households that typically claim the standard deduction and leave out renters altogether, who are more likely than homeowners to be Marylanders of color. This is doubly true when households claim the deduction for homes they do not use as their principal residence.
- Tax breaks that favor accumulated wealth such as high-end real estate and financial assets worsen racial inequity because of structural barriers in our economy last have long held back Black Marylanders and

other Marylanders of color from building familial wealth. Nationwide, the wealthiest 10% of white households (about 6% of all households) control nearly two-thirds of all household wealth.[xi]

Impact

House Bill 211 would likely **improve racial and economic equity** in Maryland.

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i Nick Finio, Jinyhup Kim, Andrew McMillan, Melissa Bondi, Amy Brisson, Amanda Davis, Mikaela Fenton, David Huaman, Anne Jordan, Chris Kizzie, Radhika Mohan, Claire Morehouse, Tania O'Connor, Eva Phillips, Erika Rivera, Laura Searfoss, Jerah Smith, Sam Speicher, Girma Syoume, Orlando Velez, Michael Spotts, and Margaret Curran, "Maryland Housing Needs Assessment and 10-Year Strategic Plan," National Center for Smart Growth, 2020, https://dhcd.maryland.gov/Documents/Other%20Publications/Report.pdf

ii "2022 Maryland Housing Profile," National Low Income Housing Coalition, 2022, https://nlihc.org/sites/default/files/SHP_MD.pdf

iii Finio, et al., 2020.

iv MDCEP analysis of IRS Historic Table 2, TY 2020.

v "Opportunities to End Homelessness and Housing Poverty in the 116th Congress," National Low-Income Housing Coalition, 2019, https://nlihc.org/sites/default/files/NLIHC_New-Congress-Memo_2019.pdf

vi Finio, et al., 2020.

vii "2022 Maryland Housing Profile," 2022.

viii Finio, et al., 2020.

ix Meg Wiehe, Aidan Davis, Carl Davis, Matt Gardner, Lisa Christensen Gee, and Dylan Grundman, "Who Pays? A Distributional Analysis of the Tax Systems in All 50 States," Institute on Taxation and Economic Policy, 2018, https://itep.org/wp-content/uploads/whopays-ITEP-2018.pdf

x MDCEP analysis of IRS Historic Table 2, TY 2020.

xi Michael Leachman, Michael Mitchell, Nicholas Johnson, and Erica Williams, "Advancing Racial Equity with State Tax Policy," Center on Budget and Policy Priorities, 2018, https://www.cbpp.org/research/state-budget-and-tax/advancing-racial-equity-with-state-tax-policy

MARYLAND MULTI-HOUSING ASSOCIATION, INC.

Committee: Ways and Means

Bill: House Bill 211- Rental Housing Fund, Calculation of Taxable Income, and Transfer Tax - Alterations (Affordable Housing Investment Act)

Date: February 9, 2023

Position: Favorable

This testimony is offered on behalf of the Maryland Multi-Housing Association (MMHA). MMHA is a professional trade association established in 1996, whose members consist of owners and managers of more than 210,000 rental housing homes in over 958 apartment communities. Our members house over 538,000 residents of the State of Maryland. MMHA also represents over 250 associate member companies who supply goods and services to the multi-housing industry.

The Rental Housing Fund provides loans to for-profit, limited profit, or nonprofit developers; nonprofit organizations; county governments; municipalities; or local housing authorities for the purpose of creating rental housing. In general, eligible residents must have incomes of no more than 60 percent of the area median income, and the owner must reserve the same proportion of units for these tenants as the Rental Housing Program Funds are to the total financing of the project.

House Bill 211 (HB 211) alters the Rental Housing Fund statute to require the Governor to appropriate $20,000,000 to the fund annually beginning in FY25. The bill also makes certain revisions to the tax and real property article around the sale of residential property to first time Maryland home buyers.

In December 2020, the Department of Housing and Community Development commissioned the Maryland Housing Needs Assessment & 10-Year Strategic Plan. The analysis from the University of Maryland's National Center for Smart Growth and Enterprise Community Partners, determined that Maryland must add thousands more housing units by 2030 to accommodate a swelling population of low-income residents, while also meeting unmet demand from moderate-income residents, seniors, and people with disabilities. According to the Plan, the State is short 85,000 rental units for low-income households. With Maryland expected to add an estimated 97,166 low-income households by 2030, the shortage will worsen unless the State creates more affordable homes.

This legislation is an important tool in creating additional housing options to satisfy Maryland's pressing needs. For foregoing reasons, MMHA respectfully requests a favorable report for HB 211.

For more information, please contact Lauren C. Graziano, Senior Government Affairs Manager, 518.522.3529

2022 Housing Profile_NLIHC.pdf
Uploaded by: Miranda Willems
Position: FAV

2022 MARYLAND HOUSING PROFILE

NATIONAL LOW INCOME HOUSING COALITION

Across Maryland, there is a shortage of rental homes affordable and available to extremely low income households (ELI), whose incomes are at or below the poverty guideline or 30% of their area median income (AMI). Many of these households are severely cost burdened, spending more than half of their income on housing. Severely cost burdened poor households are more likely than other renters to sacrifice other necessities like healthy food and healthcare to pay the rent, and to experience unstable housing situations like evictions.

SENATORS: Benjamin L. Cardin and Chris Van Hollen

KEY FACTS

189,866 OR **26%** Renter Households that are extremely low income

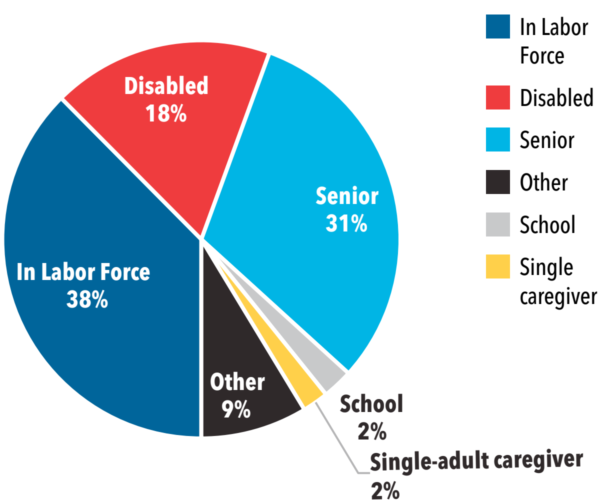
-125,483 Shortage of rental homes affordable and available for extremely low income renters

$31,650 Maximum income of 4-person extremely low income households (state level)

$60,183 **Annual household income needed** to afford a two-bedroom rental home at HUD's Fair Market Rent.

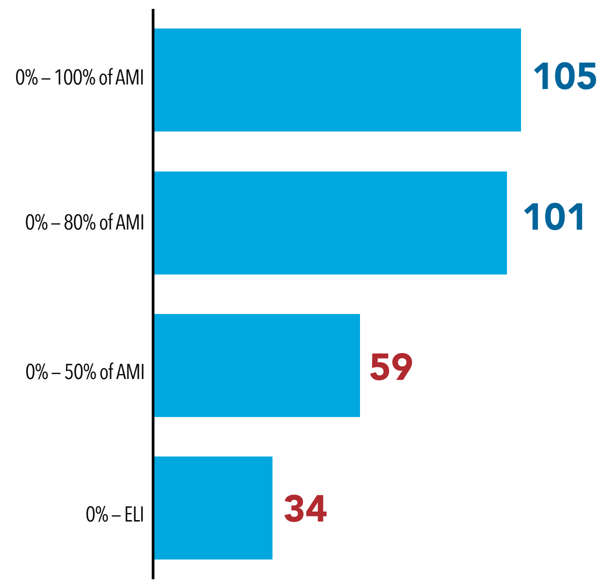
72% Percent of extremely low income renter households with severe cost burden

EXTREMELY LOW INCOME RENTER HOUSEHOLDS



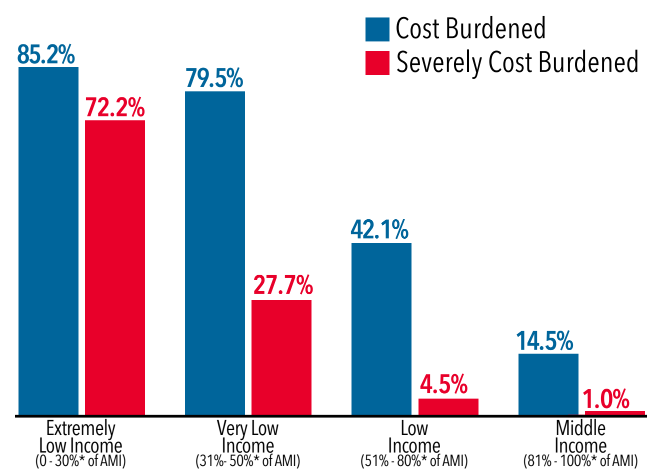
Note: Mutually exclusive categories applied in the following order: senior, disabled, in labor force, enrolled in school, single adult caregiver of a child under 7 or of a household member with a disability, and other. Nationally, 15% of extremely low-income renter households are single adult caregivers, 55% of whom usually work more than 20 hours per week. Source: 2020 5-Year ACS PUMS data.

AFFORDABLE AND AVAILABLE HOMES PER 100 RENTER HOUSEHOLDS



Source: 2020 5-Year ACS PUMS data.

HOUSING COST BURDEN BY INCOME GROUP



Note: Renter households spending more than 30% of their income on housing costs and utilities are cost burdened; those spending more than half of their income are severely cost burdened. Source: 2020 5-Year ACS PUMS data.

Updated: 07/26/2022

1000 Vermont Avenue, NW, Suite 500, Washington, DC 20005 **WWW.NLIHC.ORG**

Extremely Low Income = 0-30%* of AMI
Very Low Income = 31%*-50% of AMI
Low Income = 51-80% of AMI
Middle Income = 81%-100% of AMI
Note: *Or poverty guideline, if higher.

MAHC Testimony_HB 211 Rental Housing Fund_SUPPORT.
Uploaded by: Miranda Willems
Position: FAV

MARYLAND AFFORDABLE HOUSING COALITION

Testimony to the House Ways & Means Committee
HB 211 – Rental Housing Funds, Calculation of Taxable Income, and Transfer Tax – Alterations
Position: SUPPORT
February 9, 2023

HB 211 would use the savings achieved from three simple tax changes to support the development of more affordable rental housing across the State of Maryland by providing $20 million in additional annual funding to the Rental Housing Fund. There is an urgent need across the State for more affordable housing for low income households, and such housing is only built by private developers when they receive favorable financing from the federal, State, and local governments. As seen post-Pandemic, rental properties that do not receive government financing that restricts the income of the tenants or the rents they can charge are seeing major rent increases and becoming unaffordable for many working families. The Maryland Department of Housing and Community Development (DHCD) uses the Rental Housing Fund to offer low interest loans to housing developers to construct housing that serves low income families and individuals. The loans are re-paid to the State with interest and require the developer to keep the property affordable for 40 years with annual limits set by DHCD for maximum tenant income and allowable rents. However, this program does not receive enough funding in the Capital Budget and runs out of money by the Spring of each year, leaving projects on hold until new funds become available the next fiscal year. There are currently 90 such projects in DHCD's pipeline, which would take an estimated $250 million in State loans to complete. An additional annual appropriation of at least $20 Million would go a long way to fund more affordable housing projects and create much needed housing for Marylanders who continue to struggle to find safe, healthy, and stable housing.

According to the National Low Income Housing Coalition, Maryland needs to build an additional 131,827 affordable housing units just to serve the households in our State that earn up to 50% of the area median income. The need for affordable housing continues to grow as does the cost to build the housing given inflation, rising interest rates and material costs, so now is the time to invest more State dollars into the production of more affordable housing.

MAHC is the leading organization for the affordable rental housing industry in Maryland and represents over 185 member organizations, including nonprofit and for-profit developers, State and local housing authorities, property management companies, financial institutions, community development organizations, general contractors, architects, tax credit investors, consultants and individuals. Our members develop affordable housing properties across the state and could benefit from HB 211.

Respectfully submitted on February 9, 2023 by Miranda Darden-Willems, Executive Director, on behalf of the MAHC Board of Directors.

MAHC MARYLAND AFFORDABLE HOUSING COALITION

Maryland_2022_Out of Reach Report.pdf
Uploaded by: Miranda Willems
Position: FAV

MARYLAND #9*

In **Maryland**, the Fair Market Rent (FMR) for a two-bedroom apartment is **$1,505**. In order to afford this level of rent and utilities — without paying more than 30% of income on housing — a household must earn **$5,015** monthly or **$60,183** annually. Assuming a 40-hour work week, 52 weeks per year, this level of income translates into an hourly Housing Wage of:

$28.93
PER HOUR
STATE HOUSING WAGE

FACTS ABOUT MARYLAND:

STATE FACTS	
Minimum Wage	$12.50
Average Renter Wage	$21.52
2-Bedroom Housing Wage	$28.93
Number of Renter Households	734,699
Percent Renters	33%

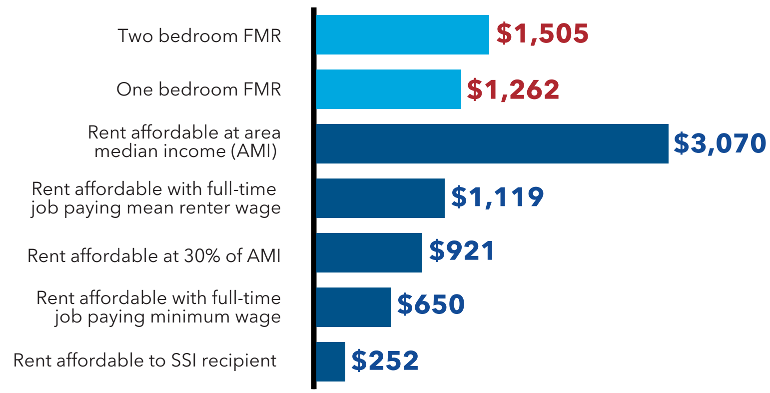
93
Work Hours Per Week At **Minimum Wage** To Afford a **2-Bedroom Rental Home** (at FMR)

78
Work Hours Per Week At **Minimum Wage** To Afford a **1-Bedroom Rental Home** (at FMR)

2.3
Number of Full-Time Jobs At **Minimum Wage** To Afford a **2-Bedroom Rental Home** (at FMR)

1.9
Number of Full-Time Jobs At **Minimum Wage** To Afford a **1-Bedroom Rental Home** (at FMR)

MOST EXPENSIVE AREAS	HOUSING WAGE
Washington-Arlington-Alexandria HMFA	$34.33
Baltimore-Columbia-Towson MSA	$26.83
California-Lexington Park MSA	$26.38
Cecil County	$24.96
Talbot County	$21.94



MSA = Metropolitan Statistical Area: HMFA = HUD Metro FMR Area.
* Ranked from Highest to Lowest 2-Bedroom Housing Wage. Includes District of Columbia and Puerto Rico.

Maryland	FY22 HOUSING WAGE	HOUSING COSTS			AREA MEDIAN INCOME (AMI)				RENTERS				
	Hourly wage necessary to afford 2 BR[1] FMR[2]	2 BR FMR	Annual income needed to afford 2 BR FMR	Full-time jobs at minimum wage needed to afford 2 BR FMR[3]	Annual AMI[4]	Monthly rent affordable at AMI[5]	30% of AMI	Monthly rent affordable at 30% of AMI	Renter households (2016-2020)	% of total households (2016-2020)	Estimated hourly mean renter wage (2022)	Monthly rent affordable at mean renter wage	Full-time jobs at mean renter wage needed to afford 2 BR FMR
Maryland	$28.93	$1,505	$60,183	2.3	$122,819	$3,070	$36,846	$921	734,699	33%	$21.52	$1,119	1.3
Combined Nonmetro Areas	$18.70	$972	$38,888	1.5	$84,911	$2,123	$25,473	$637	17,911	28%	$13.02	$677	1.4
Metropolitan Areas													
Baltimore-Columbia-Towson MSA	$26.83	$1,395	$55,800	2.1	$116,100	$2,903	$34,830	$871	354,918	33%	$22.43	$1,167	1.2
California-Lexington Park MSA	$26.38	$1,372	$54,880	2.1	$114,300	$2,858	$34,290	$857	12,260	30%	$22.16	$1,152	1.2
Cumberland MSA	$14.56	$757	$30,280	1.2	$71,300	$1,783	$21,390	$535	8,469	31%	$10.83	$563	1.3
Hagerstown HMFA	$18.69	$972	$38,880	1.5	$84,600	$2,115	$25,380	$635	18,827	33%	$13.78	$717	1.4
Philadelphia-Camden-Wilmington MSA	$24.96	$1,298	$51,920	2.0	$105,400	$2,635	$31,620	$791	9,491	25%	$14.85	$772	1.7
Salisbury HMFA	$19.94	$1,037	$41,480	1.6	$81,500	$2,038	$24,450	$611	15,739	41%	$15.79	$821	1.3
Somerset County HMFA	$15.23	$792	$31,680	1.2	$58,100	$1,453	$17,430	$436	2,902	34%	$14.15	$736	1.1
Washington-Arlington-Alexandria HMFA	$34.33	$1,785	$71,400	2.7	$142,300	$3,558	$42,690	$1,067	288,676	33%	$22.47	$1,168	1.5
Worcester County HMFA	$17.92	$932	$37,280	1.4	$89,100	$2,228	$26,730	$668	5,506	24%	$11.01	$573	1.6
Counties													
Allegany County	$14.56	$757	$30,280	1.2	$71,300	$1,783	$21,390	$535	8,469	31%	$10.83	$563	1.3
Anne Arundel County	$26.83	$1,395	$55,800	2.1	$116,100	$2,903	$34,830	$871	54,702	26%	$22.86	$1,189	1.2
Baltimore County	$26.83	$1,395	$55,800	2.1	$116,100	$2,903	$34,830	$871	106,971	34%	$20.92	$1,088	1.3
Calvert County	$34.33	$1,785	$71,400	2.7	$142,300	$3,558	$42,690	$1,067	4,969	15%	$14.36	$746	2.4
Caroline County	$18.42	$958	$38,320	1.5	$77,700	$1,943	$23,310	$583	3,521	29%	$15.57	$810	1.2
Carroll County	$26.83	$1,395	$55,800	2.1	$116,100	$2,903	$34,830	$871	10,976	18%	$11.55	$600	2.3
Cecil County	$24.96	$1,298	$51,920	2.0	$105,400	$2,635	$31,620	$791	9,491	25%	$14.85	$772	1.7
Charles County	$34.33	$1,785	$71,400	2.7	$142,300	$3,558	$42,690	$1,067	13,231	23%	$14.94	$777	2.3
Dorchester County	$17.19	$894	$35,760	1.4	$76,600	$1,915	$22,980	$575	4,365	32%	$12.15	$632	1.4
Frederick County	$34.33	$1,785	$71,400	2.7	$142,300	$3,558	$42,690	$1,067	22,743	24%	$16.30	$848	2.1

Columbia City is not included due to a lack of sufficient data.

1: BR = Bedroom
2: FMR = Fiscal Year 2022 Fair Market Rent.
3: This calculation uses the higher of the county, state, or federal minimum wage, where applicable.
4: AMI = Fiscal Year 2022 Area Median Income
5: Affordable rents represent the generally accepted standard of spending not more than 30% of gross income on gross housing costs.

Maryland	FY22 HOUSING WAGE	HOUSING COSTS			AREA MEDIAN INCOME (AMI)				RENTERS				
	Hourly wage necessary to afford 2 BR[1] FMR[2]	2 BR FMR	Annual income needed to afford 2 BR FMR	Full-time jobs at minimum wage needed to afford 2 BR FMR[3]	Annual AMI[4]	Monthly rent affordable at AMI[5]	30% of AMI	Monthly rent affordable at 30% of AMI	Renter households (2016-2020)	% of total households (2016-2020)	Estimated hourly mean renter wage (2022)	Monthly rent affordable at mean renter wage	Full-time jobs at mean renter wage needed to afford 2 BR FMR
Garrett County	$14.56	$757	$30,280	1.2	$73,300	$1,833	$21,990	$550	2,638	21%	$10.07	$524	1.4
Harford County	$26.83	$1,395	$55,800	2.1	$116,100	$2,903	$34,830	$871	19,977	21%	$14.84	$772	1.8
Howard County	$26.83	$1,395	$55,800	1.9	$116,100	$2,903	$34,830	$871	31,771	27%	$24.86	$1,293	1.1
Kent County	$19.77	$1,028	$41,120	1.6	$94,000	$2,350	$28,200	$705	2,546	31%	$13.13	$683	1.5
Montgomery County	$34.33	$1,785	$71,400	2.2	$142,300	$3,558	$42,690	$1,067	128,212	34%	$26.27	$1,366	1.3
Prince George's County	$34.33	$1,785	$71,400	2.7	$142,300	$3,558	$42,690	$1,067	119,521	38%	$20.21	$1,051	1.7
Queen Anne's County	$26.83	$1,395	$55,800	2.1	$116,100	$2,903	$34,830	$871	3,769	20%	$11.70	$609	2.3
St. Mary's County	$26.38	$1,372	$54,880	2.1	$114,300	$2,858	$34,290	$857	12,260	30%	$22.16	$1.152	1.2
Somerset County	$15.23	$792	$31,680	1.2	$58,100	$1,453	$17,430	$436	2,902	34%	$14.15	$736	1.1
Talbot County	$21.94	$1,141	$45,640	1.8	$101,100	$2,528	$30,330	$758	4,841	29%	$14.18	$737	1.5
Washington County	$18.69	$972	$38,880	1.5	$84,600	$2,115	$25,380	$635	18,827	33%	$13.78	$717	1.4
Wicomico County	$19.94	$1,037	$41,480	1.6	$81,500	$2,038	$24,450	$611	15,739	41%	$15.79	$821	1.3
Worcester County	$17.92	$932	$37,280	1.4	$89,100	$2,228	$26,730	$668	5,506	24%	$11.01	$573	1.6
Baltimore city	$26.83	$1,395	$55,800	2.1	$116,100	$2,903	$34,830	$871	126,752	52%	$26.91	$1,400	1.0

Columbia City is not included due to a lack of sufficient data.

1: BR = Bedroom
2: FMR = Fiscal Year 2022 Fair Market Rent.
3: This calculation uses the higher of the county, state, or federal minimum wage, where applicable.
4: AMI = Fiscal Year 2022 Area Median Income
5: Affordable rents represent the generally accepted standard of spending not more than 30% of gross income on gross housing costs.

HB 211 - Rental Housing Fund - UNF - REALTORS.pdf
Uploaded by: Lisa May
Position: UNF

House Bill 211 - Rental Housing Fund, Calculation of Taxable Income, and Transfer Tax - Alterations (Affordable Housing Investment Act)

Position: Oppose

The Maryland REALTORS® supports additional investments into the state Rental Housing Fund, which facilitates the acquisition and development of affordable rental units in the state. However, we oppose HB 211 due to the tax penalties the bill imposes on other real estate activities.

First, the bill eliminates the current transfer tax exclusion for Maryland first-time buyers if the property purchased is over $1M. As home prices appreciate over time this repeal will impact more and more transactions. It will also affect those looking to relocate to Maryland from states with higher housing costs, making us less attractive for recruitment of companies and highly skilled professionals.

In addition, while the bill states that this additional tax is the responsibility of the purchaser unless otherwise agreed to, current Maryland residents could ultimately be responsible for this rate increase depending on market conditions at the time of sale or the number of offers made on the property.

This bill would also decouple Maryland's tax treatment of Opportunity Zones from that of the federal government and other states. Maryland REALTORS® fully supported the prospect for significant investment in low-income areas that Opportunity Zones encourage. This program increases investment opportunities to revitalize neighborhoods, job opportunities and create more "missing middle" housing at a time when Maryland has growing housing needs. By removing Maryland's incentives, those investments will go to other states, as will the jobs and revenue they provide.

The General Assembly should investigate ways to expand the Rental Housing Fund. However, we should not make certain types of housing more affordable by making other types of housing more expensive. For these reasons, Maryland REALTORS® respectfully urges an unfavorable report of HB 211.

For more information contact
lisa.may@mdrealtor.org or christa.mcgee@mdrealtor.org

MBIA Letter of Opposition HB 211.pdf
Uploaded by: Lori Graf
Position: UNF

MARYLAND BUILDING INDUSTRY ASSOCIATION
11825 West Market Place | Fulton, MD 20759 | 301-776-6242

February 9, 2023

The Honorable Vanessa Atterbeary
Ways & Means Committee
House Office Building, Room 131,
6 Bladen St., Annapolis, MD, 21401

RE: HB 211 Rental Housing Fund, Calculation of Taxable Income, and Transfer Tax - Alterations (Affordable Housing Investment Act)

Dear Chair Atterbeary:

The Maryland Building Industry Association, representing 100,000 employees statewide, appreciates the opportunity to participate in the discussion surrounding **HB 211 Rental Housing Fund, Calculation of Taxable Income, and Transfer Tax - Alterations (Affordable Housing Investment Act)**. MBIA **Opposes** the Act in its current version.

This bill would require that transfer taxes on a home of up to $1,000,000 to be paid entirely by the seller in the case of a 0.25% transfer tax or a split in the event of a 0.5% transfer tax. MBIA respectfully opposes this measure. This bill is unclear currently the first-time homebuyers are not required to pay their half of transfer taxes. It is not clear from the text of the bill whether the seller would be responsible for that portion of the tax imposing an additional tax on home sellers which runs counter to the legislative intent of the author.

Additionally, this bill disincentivizes people from moving to Maryland. It is much easier to buy homes in Pennsylvania on Virginia where these additional taxes will not be imposed and where you can have easy access to Maryland without the onerous tax burden. High in come individuals and families, which this bill targets, have more money to invest in the community, pay higher property taxes, and are exactly the type of people that we want to incentivize to live here. Imposing additional transfer taxes deters this long term and substantial community investment increasing the public tax revenue which ultimately is spent on behalf of all Maryland citizens.

For these reasons, MBIA respectfully requests the committee give this measure a unfavorable report. Thank you for your consideration.

For more information about this position, please contact Lori Graf at 410-800-7327 or lgraf@marylandbuilders.org.

cc: Members of the House Ways and Means Committee

HB 211 - Rental Housing Fund - Affordable Housing
Uploaded by: Tom Ballentine
Position: UNF

NAIOP
MARYLAND CHAPTERS
THE ASSOCIATION FOR COMMERCIAL REAL ESTATE

February 7, 2023

The Honorable, Vanessa E. Atterbeary, Chair
House Ways and Means Committee
Room 131, House Office Building
Annapolis, Maryland 21401

Oppose: HB 211 – Rental Housing Fund – Calculation of Taxable Income and Transfer Tax – Alterations

Dear Chair, Atterbeary and Committee Members:

The NAIOP Maryland Chapters represent 700 companies involved in all aspects of commercial, industrial and mixed use real estate. On behalf of our member companies, I am writing to oppose the retroactive alteration of how Opportunity Zone investments are taxed that is proposed in House Bill 211.

House Bill 211 proposes the laudable goal of providing additional funding for the Department of Housing and Community Development's Rental Housing Fund. The bill proposes additional appropriations in the 2025 budget as well as taxing capital gains from investments in Opportunity Zones that are currently excluded from federal taxable income. (p. 3 lines 2-30 and p. 4 lines 18-19)

The Opportunity Zone program was created as part of the Tax Cuts and Jobs Act of 2017 to incentivize long-term private capital investments in low-income communities. Maryland has 149 Opportunity Zones.

House Bill 211 would apply Maryland tax to capital gains related to investments in Opportunity Zones that are currently excluded from federal taxable income. This change in tax status would apply capital gains tax to proceeds from the future sale of buildings and other investments in Opportunity Zones that have already been made.

Opportunity Zone investments were made relying on state and local tax provisions described in the IRS code and Maryland law. NAIOP is concerned about the negative impacts and reputational damage from retroactively applying tax to mature Opportunity Zone projects.

We respectfully recommend the committee remove these provisions from House Bill 211. With this change we could withdraw our opposition.

Sincerely,

T.M. Ballentine

Tom Ballentine, Vice President for Policy
NAIOP – Maryland Chapters, *The Association for Commercial Real Estate*

cc: Ways and Means Committee Members
Nick Manis – Manis, Canning Assoc.

U.S. Mail: P.O. Box 16280, Baltimore, Maryland 21210 **Phone:** 410.977.2053 **Email:** tom.ballentine@naiop-md.org

LOI – HB0211 – Rental Housing Fund, Calculation of

Uploaded by: krista sermon
Position: INFO

Letter of Information – House Bill 211 – Rental Housing Fund, Calculation of Taxable Income, and Transfer Tax – Alterations (Affordable Housing Investment Act)

Ways and Means Committee

February 9, 2023

This bill requires an addback of gain from investments in opportunity zones when that gain is excluded under Internal Revenue Code § 1400Z-2.

IRC § 1400Z-2(a) provides that a taxpayer may elect to exclude capital gain that has been reinvested in a qualified opportunity zone. IRC § 1400(b)(1) requires the inclusion of such gain when the when the investment is ultimately sold or exchanged, or December 31, 2026. IRC § 1400(b)(2) provides an adjusted basis for gain on an investment in a qualified opportunity zone, based on how long the investment was held. Investments held for at least 10 years, the basis is equal to the fair market value on the date the investment is sold, thereby eliminating taxable gain entirely.

For any property held for less than 10 years, some gain will eventually be includable in federal taxable income. To avoid unconstitutional double taxation of gain excluded under § 1400Z-2(a) but included under § 1400Z-2(b), the Comptroller recommends a subtraction in the year the gain is included at the federal level:

Tax-General Article § 10-207

(OO) THE SUBTRACTION UNDER SUBSECTION (A) OF THIS SECTION INCLUDES ANY CAPITAL GAINS EXCLUDED UNDER § 1400-Z2 OF THE INTERNAL REVENUE CODE THAT WERE ADDED TO INCOME UNDER § 10-204(M) OF THIS SUBTITLE IN A PRIOR YEAR.

As always, the Comptroller's Office is willing and available to discuss these concerns or any questions you may have at your convenience. Please contact Justin Hayes, Legislative Director at jhayes@marylandtaxes.gov or 410-260-7696.