

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 246 (Delegate Minnick, et al.)
Ways and Means

State Transfer Tax - Exemption - Owner-Occupied Real Property

This bill exempts from the State transfer tax the first \$30,000 of the consideration payable for an instrument of writing for owner-occupied real property if the purchaser is not a first-time Maryland home buyer. The purchaser must either occupy the residence as a principal residence, or must be a co-signer of the mortgage and not occupy the residence. The exemption shall be applied against the transfer tax liability of the purchaser unless otherwise provided for in the contract.

This bill is effective July 1, 1996.

Fiscal Summary

State Effect: Special fund revenues could decline by \$6.0 million in FY 1997. Out-year losses will change as the number of non-first-time home buyers changes. Expenditures are not affected.

Local Effect: Included with the above revenue loss, appropriations for local Program Open Space funding could decline by \$2.4 million in FY 1997.

Fiscal Analysis

State Revenues: State transfer tax revenues could decline by an estimated \$6.0 million in fiscal 1997. The Governor's proposed fiscal 1997 budget assumes transfer tax revenues of \$71.3 million.

This estimate assumes that there will be 62,000 owner-occupied home sales, 65% of which will be to non-first-time home buyers. At the State transfer tax rate of 0.5%, the \$30,000 exemption will save each of the 40,300 non-first-time home buyers \$150, resulting in a revenue loss of \$6,045,000.

Following the current distribution of transfer tax revenues, this loss would be distributed as follows:

Program Open Space (POS)	\$4,896,000
Agricultural Land Preservation Fund	850,000
Heritage Conservation Fund	117,500
Administrative costs for POS	<u>181,500</u>
TOTAL	\$6,045,000

Half of POS funds are appropriated to local governments for acquisition and development of land for recreation and open space purposes.

Losses in the out-years will change as the number of first-time home buyers changes, which will presumably vary with fluctuations in the housing market.

Local Effect: Appropriations to local governments for open space purposes could decline by \$2,448,000 in fiscal 1997.

Information Source(s): Department of Assessments and Taxation, Department of Natural Resources, Department of Fiscal Services

Fiscal Note History: First Reader - January 29, 1996

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