

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

Senate Bill 454 (Senator Haines)
Budget and Taxation

Recordation Tax - Payment and Collection

This bill allows the county tax collectors, rather than the clerks of the courts, to collect recordation taxes beginning in fiscal 1998. In fiscal 1998 only, the counties, except Prince George's, must remit to the Comptroller's Office a fee equal to the fee that the clerks of the courts currently deduct.

The bill is effective July 1, 1997.

Fiscal Summary

State Effect: Assuming all counties decide to collect the taxes themselves, general fund revenues could decrease by \$4.4 million beginning in FY 1999. Future year decreases reflect growth in tax collections. Expenditures would not be affected.

(in thousands)	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
GF Revenues	\$0	(\$4,400)	(\$4,500)	(\$4,600)	(\$4,700)
GF Expenditures	0	0	0	0	0
Net Effect	\$0	(\$4,400)	(\$4,500)	(\$4,600)	(\$4,700)

Note: () - decrease; GF - general funds; FF - federal funds; SF - special funds

Local Effect: Revenues could increase by \$4.4 million in FY 1999. Revenues for Charles County could be affected in FY 1998 as discussed below. Expenditures would not be affected.

Small Business Effect: None. This bill would not directly affect small businesses.

Fiscal Analysis

State Revenues: Since this is enabling legislation only, revenues will only be affected to the extent that local governments exercise the authority to collect recordation taxes.

The clerks of the circuit courts now collect the county recordation taxes in all counties, except Prince George's, where they are collected by the county Director of Finance. The clerks of the courts receive fees ranging from 2.5% to 5% for collecting the tax. **Exhibit 1** (attached) shows the amount of taxes collected, the percentages of the fees, and the amount of the fees remitted to the State's general fund for each county in fiscal 1996. Under the provisions of this bill these fees would not be applicable after fiscal 1998, and general funds would decrease by \$4.4 million in fiscal 1999. This assumes that all counties decide to collect the recordation taxes; future year estimates reflect 2% growth in recordation tax collections.

State Expenditures: While the clerks of the courts would not be collecting the recordation taxes, they still would be responsible for recording the instruments of writing and security agreements. Therefore, it is doubtful that the clerks' workload would decrease by an amount sufficient enough to affect expenditures.

Local Revenues: The Department of Fiscal Services assumes that all counties would avoid the clerks' fees by having the county collector collect the recordation taxes. Therefore, county revenues would increase cumulatively by \$4.4 million beginning in fiscal 1999.

For fiscal 1998 only, this bill requires any county not using the clerk of the court for collection of recordation taxes to remit to the Comptroller the percentage of fees that the clerk of the court is authorized to deduct from the payment of these taxes. *Maryland Code Annotated* Article 17 § 74(c) provides that fees collected by the clerk of the court in Charles County be used to pay the cost of two-thirds of the salaries and benefits of court reporters for the county's circuit court. If Charles County chooses to allow a collector other than the clerk of the court to receive these fees, then funding for these court reporters could be affected in fiscal 1998.

Local Expenditures: The Department of Fiscal Services assumes the workload of the county tax collectors would not increase by an amount large enough to affect county expenditures.

Information Sources: Judiciary (Administrative Office of the Courts), Department of Assessments and Taxation, Department of Fiscal Services

Fiscal Note History: First Reader - February 10, 1997

nrd

Analysis by: Ryan Bishop

Reviewed by: Paul Ballou

Direct Inquiries to:

John Rixey, Coordinating Analyst

(410) 841-3710

(301) 858-3710