

Department of Legislative Services
Maryland General Assembly
1999 Session

FISCAL NOTE
Revised

Senate Bill 432 (Senator Munson)

Budget and Taxation

**Recordation Tax and State Transfer Tax - Transfers From Class I Railroad Carrier
to Wholly-Owned Limited Liability Company**

This bill exempts from the State transfer tax and recordation tax real property transferred from a railroad designated by the United States Surface Transportation Board as a Class I Railroad Carrier to its wholly-owned limited liability company.

The bill is effective June 1, 1999, and sunsets December 31, 2000.

Fiscal Summary

State Effect: Potential special fund revenue decrease of \$103,400 in FY 2000 or FY 2001. Expenditures would not be affected.

Local Effect: Potential local revenue decrease totaling \$181,000. Expenditures would not be affected.

Small Business Effect: None.

Fiscal Analysis

State Revenues: The State transfer tax rate is 0.5% of the value of consideration paid; revenues are dedicated to State and local Program Open Space projects, the Rural Legacy Program, the Agricultural Land Preservation Fund, and the Heritage Preservation Fund. These tax revenues totaled approximately \$71.2 million in fiscal 1998.

Currently, the bill will affect one entity that is designated as a Class I Railroad Carrier and

that may be transferring real property to its wholly-owned limited liability company. Assuming this transfer occurs, the State will lose \$103,400 in fiscal 2000 or fiscal 2001 as a result of this exemption.

Local Revenues: Under current law, the State imposes a recordation tax rate of \$1.65 per \$500 of the consideration paid for transactions involving security agreements or articles of transfer of all or substantially all the assets of a corporation in a merger, consolidation, or other transfer. The Department of Assessments and Taxation collects the tax and retains an amount equal to the cost to the department of collecting the tax. The department then remits the remaining revenues to the Comptroller of the Treasury. The Comptroller distributes the remaining revenues to the counties in the ratio that the recordation tax was collected in the prior fiscal year in each county in relation to the total recordation tax collected in all counties in that year.

If the known transfer occurs, total recordation tax revenues could decrease by \$112,000 in fiscal 2000 or fiscal 2001. Consequently, county recordation tax revenues would decrease. **Exhibit 1** shows the loss to each of the counties based on 1997 recordation tax distributions.

In addition, local governments will experience a decline in Program Open Space funding from the exemption of the State transfer tax. Approximately 36% of State transfer tax revenues are distributed to local POS programs. Therefore, exempting real property transferred from a railroad designated by the United States Surface Transportation Board as a Class I Railroad carrier to its wholly-owned limited liability company will decrease local revenues by an additional \$69,000 in fiscal 2000 or fiscal 2001. Combining the recordation tax revenue loss with the State transfer tax revenue loss results in a net local government loss of \$181,000 in fiscal 2000 or fiscal 2001.

Information Source(s): Department of Assessments and Taxation, Department of Legislative Services

Fiscal Note History: First Reader - March 29, 1999
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Exhibit 1
Decrease in Recordation Tax Revenues to the Counties

County	Recordation Tax Revenue Loss
Allegany	\$487
Anne Arundel	15,289
Baltimore City	7,243
Baltimore	12,601
Calvert	2,367
Caroline	483
Carroll	2,466
Cecil	1,371
Charles	4,972
Dorchester	609
Frederick	6,250
Garrett	917
Harford	6,107
Howard	6,710
Kent	507
Montgomery	19,382
Prince George's	12,744
Queen Anne's	1,620
St. Mary's	2,385
Somerset	127
Talbot	1,627
Washington	2,693
Wicomico	1,163
Worcester	1,879
Total	\$112,000