

Department of Legislative Services  
Maryland General Assembly  
1999 Session

FISCAL NOTE  
Revised

House Bill 925 (Delegate Minnick)

Ways and Means

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State Transfer Tax - Exemption

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This bill provides that the transfer tax does not apply to the first \$30,000 of the consideration payable for an instrument of writing for residentially improved owner-occupied real property located within the boundaries of the Metropolitan District in Baltimore County.

The State transfer tax exemption applies against the purchaser's transfer tax payment.

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Fiscal Summary

**State Effect:** Special fund revenues could decrease by approximately \$720,000 in FY 2000. Future year revenues losses cannot be reliably estimated. Special fund expenditures would decrease by a corresponding amount.

**Local Effect:** Local Program Open Space funds would decrease by \$262,000 in FY 2000.

**Small Business Effect:** None.

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Fiscal Analysis

**Background:** The State transfer tax rate is 0.5% of the consideration payable for an instrument of writing, conveying title to, or a leasehold interest in, real property.

**State Effect:** In fiscal 1998 there were approximately 8,000 owner-occupied properties that were sold in the Metropolitan District of Baltimore County, with a median sale price of \$108,450. A small number of these properties sold for less than \$30,000.

Based on information from the Maryland Association of Realtors, approximately 40% of owner-occupied home sales are to first-time home buyers. By law, the transfer tax on these

transactions must be paid by the seller. Therefore, under the bill, 3,200 transactions would not be subject to the bill's State transfer tax exemption. Consequently, 4,800 of the total real property transactions in this district will be eligible for this State transfer tax exemption.

Exempting the first \$30,000 of the consideration payable for 4,800 real property transactions in the Metropolitan District of Baltimore County will result in a loss of special fund revenues of \$150 per transaction. Thus, the total annual decrease in State transfer tax revenues will equal approximately \$720,000.

State transfer tax revenues are special fund revenues dedicated for specific programs and are distributed as follows: 3% of total revenues is earmarked to defray administrative costs and \$1 million to cover debt service expenses. Of the remaining revenue, 90% is allocated to Program Open Space, Agricultural Land Preservation, and the Heritage Conservation Fund and 10% to the Rural Legacy Program, Program Open Space, and the Agricultural Land Preservation program.

Of the 90% allocation, 83.5% goes to Program Open Space, 14.5% goes to the Agricultural Land Preservation Fund, and 2% goes to the Heritage Conservation Fund. Of the 10% allocation, 50% goes to the Rural Legacy Program, 10% goes to Program Open Space, and 40% goes to the Agricultural Land Preservation Program. Approximately one-half of the funding for Program Open Space goes to local governments.

The reduction in State transfer tax revenues would result in a reduction in State funding for these programs. The following exhibit shows the fiscal impact on each program.

<u>Program</u>	<u>Reduction in State Funding - FY 2000</u>
Administration	\$22,000
State Program Open Space	\$269,000
Local Program Open Space	\$262,000
Agricultural Land Preservation	\$119,000
Heritage Conservation	\$13,000
Rural Legacy	\$35,000
<b>Total Funding</b>	<b>\$720,000</b>

**Local Effect:** Approximately 50% of Program Open Space funds are allocated to local governments. Based on the current distribution formula, local governments would lose approximately \$262,000 in State funding for land preservation in fiscal 2000. Assuming local governments do not use local funds to supplant the reduction in State funding, local

expenditures for land preservation projects would decrease.

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**Information Source(s):** Department of Assessments and Taxation, Department of Legislative Services, Maryland Department of Natural Resources, Maryland Association of Realtors

**Fiscal Note History:** First Reader - March 9, 1999  
mld/jr Revised - Updated Information - March 10, 1999  
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