

**Department of Legislative Services**  
Maryland General Assembly  
1999 Session

**FISCAL NOTE**

Senate Bill 5 (Senator Haines)

Budget and Taxation

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**Recordation Tax - Payment and Collection**

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This bill allows the county tax collectors, rather than the clerks of the courts, to collect recordation taxes beginning in fiscal 2000. In fiscal 2000 only, any county, with the exception of Prince George's, that does not have the clerk of the court collect recordation taxes must remit to the Comptroller a fee equal to the fee that the clerk would otherwise deduct.

The bill is effective July 1, 1999.

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**Fiscal Summary**

**State Effect:** Assuming all counties decide to collect the taxes themselves, general fund revenues could decrease by \$5.7 million in FY 2001. Future year decreases reflect growth in tax collections. Expenditures would not be affected.

(in thousands)	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
GF Revenues	\$0	(\$5,700)	(\$5,800)	(\$5,900)	(\$6,000)
GF Expenditures	0	0	0	0	0
Net Effect	\$0	(\$5,700)	(\$5,800)	(\$5,900)	(\$6,000)

*Note: ( ) = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect*

**Local Effect:** Revenues could increase by \$5.7 million in FY 2001. Revenues for Charles County could be affected in FY 2000. Administrative expenditures for some counties could increase as set forth below.

**Small Business Effect:** None.

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**Fiscal Analysis**

**State Revenues:** Because 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** 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 1998. Under the provisions of this bill these fees would not be applicable after fiscal 2000, and general funds thus would decrease by \$5.7 million in fiscal 2001. This assumes that all counties decide to collect the recordation taxes and reflects 2% annual 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 Legislative Services assumes that all counties would avoid the clerks' fees by having the county tax collector collect the recordation taxes. Therefore, county revenues would increase cumulatively by \$5.7 million beginning in fiscal 2001.

For fiscal 2000 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 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 2000.

**Local Expenditures:** Because this is enabling legislation only, expenditures will only be affected to the extent that local governments exercise the authority to collect recordation taxes. In general, the smaller counties advise they do not have the capacity to collect these fees, and if their governing bodies choose to do so, they will need to hire additional staff. The estimated increase in expenditures for these counties in fiscal 2000 is set forth below. The larger counties generally advise they are equipped to handle the extra workload and their expenditures will not be affected. The Department of Legislative Services assumes the increase in expenditures would be offset by the increase in the revenues beginning in fiscal 2001.

<u>County</u>	<u>Estimated Expenditures</u>
Carroll	\$31,800
Harford	\$37,000
Queen Anne's	\$55,000
St. Mary's	\$46,000
Washington	\$117,000
Worcester	\$10,500

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**Information Source(s):** Judiciary (Administrative Office of the Courts); Department of Assessments and Taxation; Allegany, Caroline, Carroll, Dorchester, Harford, Howard, Kent, Montgomery, Prince George's, Queen Anne's, St. Mary's, Somerset, Talbot, Washington, and Worcester Counties; Baltimore City; Department of Legislative Services

**Fiscal Note History:** First Reader - January 22, 1999

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**Exhibit 1  
Distribution of Recordation Tax  
FY 1998**

<u>County</u>	<u>Total Tax Collected</u>	<u>Percent Remitted by Clerk of the Court</u>	<u>Fees Remitted by Clerk of the Court*</u>
Allegany	\$650,783.06	5.0%	\$32,539.15
Anne Arundel	21,240,204.60	3.0%	637,206.14
Baltimore City	9,327,503.40	2.5%	233,187.59
Baltimore County	17,505,214.05	3.0%	525,156.42
Calvert	3,234,523.56	5.0%	161,726.18
Caroline	683,652.72	5.0%	34,182.64
Carroll	5,490,577.00	5.0%	274,528.85
Cecil	1,850,601.60	5.0%	92,530.08
Charles	6,816,192.60	5.0%	340,809.63
Dorchester	720,920.62	5.0%	36,046.03
Frederick	8,619,810.73	5.0%	430,990.54
Garrett	1,069,991.44	5.0%	53,499.57
Harford	7,127,366.10	3.0%	213,820.98
Howard	9,824,964.49	5.0%	491,248.22
Kent	769,520.44	5.0%	38,476.02
Montgomery	30,543,177.60	3.0%	916,295.33
Prince George's**	15,647,056.70	N/A	N/A
Queen Anne's	2,180,587.20	5.0%	109,029.36
St. Mary's	3,225,565.01	5.0%	161,278.28
Somerset	164,646.90	5.0%	8,232.35
Talbot	2,178,189.40	5.0%	108,909.47
Washington	3,956,176.80	5.0%	197,808.84
Wicomico	1,649,210.07	5.0%	82,460.50
Worcester	3,626,440.13	5.0%	181,322.01
<b>TOTAL</b>	<b>\$158,102,876.22</b>		<b>\$5,361,284.15</b>

\*Net distribution before any refunds.

\*\*The Finance Director currently collects the tax in Prince George's County and no fees are remitted to the State.

