

Department of Legislative Services
Maryland General Assembly
2000 Session

FISCAL NOTE

House Bill 1240 (Delegate Glassman)

Appropriations

Education - Rebate to Counties for New Teacher Settlement Costs

This bill requires the Maryland State Department of Education (MSDE) to provide counties with a rebate for State settlement costs for purchase of a residence if the county establishes a program that pays the settlement costs for new teachers. The amount of the rebate is limited to the costs of settlement for residential property valued at or below \$150,000.

This bill takes effect June 1, 2001.

Fiscal Summary

State Effect: General fund expenditures would increase by approximately \$400 for each newly hired teacher that purchases a home valued at or less than \$150,000 and who works in a county that pays the settlement costs for teachers.

Local Effect: Assuming the local jurisdiction pays the settlement costs for teachers, State aid would increase by approximately \$400 for each newly hired teacher that purchases a home valued at or less than \$150,000.

Small Business Effect: None.

Analysis

Current Law: Maryland does not provide funding for residential settlement costs for new teachers.

Background: State property tax revenues are used for debt service on State general obligation bonds and State transfer tax revenues are used to fund various programs such as

Program Open Space, heritage conservation, agricultural land preservation, and Rural Legacy.

State and Local Fiscal Effect: The settlement costs associated with purchasing a home in Maryland are local property, recordation, and transfer taxes; State property and transfer taxes; and numerous charges imposed by the lender and realtor. The State transfer tax rate is 0.5% of the consideration payable for an instrument of writing; however, in the case of a first-time home buyer the transfer rate is 0.25%. The State property tax rate is 21 cents per \$100 assessed value.

The settlement costs associated with purchasing a home valued at \$120,000 would be approximately \$4,300, as shown in **Exhibit 1**. The settlement costs were provided by the Maryland Mortgage Bankers Association. Of this amount, \$406 (9.5%) is due to State property and transfer taxes. Approximately one-half of the settlement cost is due to local property, recordation, and transfer taxes and 41% is due to various charges imposed by the lender and realtor.

General fund expenditures would increase by approximately \$400 for each newly hired teacher that purchases a home valued at or less than \$150,000 and who works in a county that pays the settlement costs for teachers. At present, no local school system provides this benefit to new teachers. In fiscal 2001, local school systems are expected to hire 10,000 new teachers.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland State Department of Education, Department of Legislative Services

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Exhibit 1

Settlement Cost on \$120,000 Home

	Buyer	Seller
State Transfer Tax	\$306	\$300
State Property Tax	100	
County Property Tax	1,375	
County Recordation Tax	301	301
County Transfer Tax	371	901
Title Insurance	455	
Underwriting Fee or Appraisal Fee	295	
Title Examination	275	
Survey	125	
Abstract or Title Search	102	
Final Inspection Fee	75	
Flood Certification	62	
Judgments	60	
Recording Fee	60	
Tax Service fees	60	
Forest Retention Easement	59	
Interest	56	
Hazard Insurance	42	
Courier Fees	40	
Flood Certification	31	
Lien Fee	30	
Hand Recording Fee	25	
Preparation of Title Binder	25	
Water Adjustments	3	
Aggregate Adjustment	(56)	
Total	\$4,277	\$1,502

Source: Maryland Mortgage Bankers Association
