

Department of Legislative Services
Maryland General Assembly
2000 Session

FISCAL NOTE

House Bill 216 (Delegates Kach and Bozman)

Ways and Means

State and Local Transfer Taxes - First-Time Maryland Home Buyers

This bill authorizes an agent of a first-time Maryland home buyer to provide a statement that is signed under oath by the buyer stating that he or she is a first-time Maryland home buyer. This statement is necessary to qualify the first-time Maryland home buyer for the reduced State transfer rate of 0.25% of the consideration payable and the county transfer tax exemption.

The statement provided by the home buyer's agent must state that the information given in the statement is based on a diligent inquiry made by the agent with respect to the facts set forth in the statement, and is true to the best of the knowledge, information, and belief of the agent.

The bill is effective July 1, 2000.

Fiscal Summary

State Effect: Potential minimal special fund revenue decrease. The bill makes it easier for first-time Maryland home buyers to apply for the reduced State transfer tax rate which could potentially decrease State transfer tax revenues distributed to Program Open Space, the Agricultural Land Preservation Fund, the Heritage Conservation Fund, and the Rural Legacy Program.

Local Effect: Potential minimal. The bill makes it easier for first-time Maryland home buyers to apply for the county transfer tax exemption which could potentially decrease county revenues.

Small Business Effect: Potential minimal.

Analysis

Current Law: 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 (0.25% for first-time Maryland home buyers). The tax is collected by the clerks of the circuit court and transferred to the Comptroller of the Treasury.

Each county has the authority to assess a local transfer tax. See **Appendix A** for a schedule of the county transfer tax rates for fiscal 2000. Current law provides that for first-time Maryland home buyers, the county may provide for an exemption for their transfer tax.

Background: State transfer tax revenues are special fund revenues dedicated for specific programs and are distributed as follows: 3% of total revenue is earmarked to defray administrative cost and \$1 million to cover debt service expenses. The remaining revenues are approximately dedicated to the following: Program Open Space (76%), Agricultural Land Preservation Fund (17%), Heritage Conservation Fund (2%), and Rural Legacy Program (5%). Approximately 37% of State transfer tax revenues are distributed to local Program Open Space programs. Any decrease in transfer tax revenues would result in a funding decrease for these programs. The property transfer tax allocation to these programs for fiscal 2001 totals \$96,220,000.

Additional Information

Prior Introductions: This bill was introduced in the 1999 session as HB 972 and received an unfavorable report from the House Ways and Means Committee.

Cross File: None.

Information Source(s): Department of Assessments and Taxation, Prince George's County, Garrett County, Judiciary (Administrative Office of the Courts), Baltimore County, Department of Legislative Services

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cm/jr

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Appendix A

Local Transfer Tax Rates FY 2000

<u>County</u>	<u>Transfer Tax Rate (Percent of Transaction Value)</u>
Allegany	0.2%
Anne Arundel	1.0%
Baltimore City	1.5%
Baltimore	1.5%
Calvert	0.0%
Caroline	0.5%
Carroll	0.0%
Cecil	0.5%
Charles	0.0%
Dorchester	1.0%
Frederick	0.0%
Garrett	1.0%
Harford	1.0%
Howard	1.0%
Kent	0.5%
Montgomery	1.0%
Prince George's	1.4%
Queen Anne's	0.5%
St. Mary's	1.0%
Somerset	0.0%
Talbot	1.0%
Washington	0.0%
Wicomico	0.5%
Worcester	0.5%

Source: Department of Legislative Services
