

Department of Legislative Services
Maryland General Assembly
2000 Session

FISCAL NOTE

House Bill 1246 (Delegates Tavlор and Hixson)
Ways and Means

Recordation Tax - Security Agreements Filed with Department of Assessments and Taxation

This bill exempts from recordation taxes security interest filings made with the Department of Assessments and Taxation under the Maryland Uniform Commercial Code - Secured Transactions.

The bill is effective July 1, 2001.

Fiscal Summary

State Effect: General fund revenues could decrease by approximately \$52,000 annually and special fund revenues could decrease by approximately \$94,000 annually.

Local Effect: In aggregate, county recordation tax revenues could decrease by approximately \$3.7 million annually.

Small Business Effect: Potential meaningful.

Analysis

Current Law: The State imposes a recordation tax rate of \$1.65 per \$500 of 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 taxes are collected by the Department of Assessments and Taxation and remitted to the Comptroller. After deducting the department's administrative costs, the net proceeds are distributed to the counties based on the ratio of recordation tax collected in the prior fiscal year in each county to total recordation tax collected.

State Revenues: General fund and special fund revenues could decrease annually by approximately \$52,097 and \$93,876, respectively. During fiscal 1999, the department

collected \$3,807,138 in recordation tax. Of that amount, \$93,876 was retained by the department and credited to a special fund for the purpose of reviewing, processing, and auditing documents filed. Administrative fees of \$52,097 were retained and credited to the general fund. The remainder of the recordation taxes was credited to the counties. The actual revenue loss would depend on the number of security interest filings and the amount of debt secured.

Local Revenues: Based on fiscal 1999 information, county recordation taxes could decrease by approximately \$3,661,165 annually. The following chart provides the revenue loss by county:

<u>County</u>	<u>Revenue Loss</u>
Allegany	\$24,223
Anne Arundel	340,069
Baltimore City	324,123
Baltimore County	529,075
Calvert	35,050
Caroline	18,014
Carroll	120,413
Cecil	13,409
Charles	93,331
Dorchester	11,877
Frederick	133,358
Garrett	34,276
Harford	125,963
Howard	248,442
Kent	10,840
Montgomery	689,495
Prince George's	405,937
Queen Anne's	19,767
St. Mary's	38,137
Somerset	8,918
Talbot	37,347
Washington	315,682
Wicomico	58,087
Worcester	25,332
Total	3,661,165

Small Business Effect: Although the lender filing the security interest statement actually pays the recordation tax to the department, the business must reimburse the lender these fees. If these transactions were exempt from recordation taxes, it could have a meaningful impact

on small businesses.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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