

Department of Legislative Services
Maryland General Assembly
2000 Session

FISCAL NOTE

House Bill 467 (Delegate Minnick)

Ways and Means

State Transfer Tax - Exemption

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.

Fiscal Summary

State Effect: Special fund revenues could decrease by approximately \$780,000 in FY 2001. 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 \$287,500 in FY 2001.

Small Business Effect: None.

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.

Background: In fiscal 1999 there were approximately 8,700 owner-occupied properties that were sold in the Metropolitan District of Baltimore County, with a median sale price of \$114,000. 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, 3,500 transactions would not be subject to the bill's State transfer tax exemption, and 5,200 of the total real property transactions in this district will be eligible for this State transfer tax exemption.

State Fiscal Effect: Exempting the first \$30,000 of the consideration payable for 5,200 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 \$780,000.

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 50% of Program Open Space 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.

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

<u>Program</u>	<u>Reduction in State Funding - FY 2001</u>
Administration	\$23,400
State Program Open Space	\$287,500
Local Program Open Space	\$287,500
Agricultural Land Preservation	\$128,600
Heritage Conservation	\$15,000
Rural Legacy	\$38,000
Total Funding	\$780,000

Local Fiscal Effect: Approximately 50% of Program Open Space funds are allocated to local governments. Based on the current distribution formula, local governments would lose approximately \$287,500 in State funding for land preservation in fiscal 2001. Assuming local governments do not use local funds to supplant the reduction in State funding, local expenditures for land preservation projects would decrease.

Additional Information

Prior Introductions: This bill was introduced during the 1999 session as HB 925 and received an unfavorable report from the Ways and Means Committee.

Cross File: None.

Information Source(s): Department of Assessments and Taxation, Baltimore County, Maryland Association of Realtors, Department of Legislative Services

Fiscal Note History: First Reader - February 15, 2000

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