

Department of Legislative Services
Maryland General Assembly
2001 Session

FISCAL NOTE

Senate Bill 561
Judicial Proceedings

Senator Colburn)

Ways and Means

Recordation Tax - Refinancing Instrument

This bill authorizes an agent of a mortgagor to provide a written statement that would qualify a mortgage refinancing for an exemption from recordation tax. The agent must provide a signed statement that the mortgaged property is the principal residence of the mortgagor and the amount of unpaid principal of the original mortgage is being refinanced.

The bill is effective July 1, 2001.

Fiscal Summary

State Effect: Potential minimal decrease in general fund revenues from recordation fees collected by the clerks of the court.

Local Effect: Potential minimal decrease in recordation taxes.

Small Business Effect: None.

Analysis

Current Law: A mortgage or deed of trust is not subject to recordation tax to the extent that it refinances an amount not greater than the existing unpaid principal amount at the time of refinancing of a homeowner's principal residence. Only an original mortgagor may provide a written statement that would qualify a mortgage refinancing for an exemption from recordation tax.

Background: The counties and Baltimore City are authorized by law to impose locally established recordation tax rates on any business or person: (1) conveying title to real property; or (2) creating or giving notice of a security interest (i.e., a lien or encumbrance) in real or personal property, by means of an instrument of writing.

The clerks of the circuit court collect the county recordation taxes in all counties except Prince George's, where they are collected by the county director of finance. Fees ranging from 3% to 5% of the tax collected are retained by the clerks, and are credited to the State general fund. The remainder of the tax is remitted to the respective counties. Total recordation taxes collected during fiscal 2000, the latest year for which information is available, totaled \$198,303,150 while fees retained by the clerks totaled \$6,982,069.

Local Revenues: County recordation tax collections could minimally decrease to the extent that this bill would make it easier for property owners who are refinancing existing mortgages to qualify for the exemption from recordation tax.

State Revenues: To the extent that this bill reduces county recordation tax collections, the fees retained by the clerks of the court and transferred to the State general fund would also decrease. Any decrease would be minimal.

Additional Information

Prior Introductions: None.

Cross File: HB 1003 (Delegate Doory) – Ways and Means.

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

Fiscal Note History: First Reader – February 27, 2001
cm/cr

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