

Department of Legislative Services
Maryland General Assembly
2001 Session

FISCAL NOTE
Revised

House Bill 952 (Delegates Healey and Bozman)
Ways and Means

Budget and Taxation

Recordation Tax and 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 tax 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, 2001.

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 courts 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 2001. Current law provides that for first-time Maryland home buyers, a county may allow for an exemption for transfer tax.

Background: State transfer tax revenues are special fund revenues dedicated for specific programs. Three percent of total revenue is earmarked to defray administrative costs and \$1 million is earmarked to cover debt service expenses. The remaining revenues are distributed to the following programs in the following approximate percentages: 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 2002 totals \$109,761,300.

Additional Information

Prior Introductions: This bill was introduced in the 2000 and 1999 sessions as HB 216 and HB 972, respectively, and received unfavorable reports 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

Fiscal Note History: First Reader – March 7, 2001
ncs/cer Revised – House Third Reader – April 5, 2001

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Appendix A

Local Transfer Tax Rates FY 2001

<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*	0.0%
Worcester	0.5%

* effective December 9, 2000.

Source: Department of Legislative Services
