

**Department of Legislative Services**

Maryland General Assembly

2002 Session

**FISCAL NOTE**

**Revised**

Senate Bill 523

(Senators Conway and Collins)

Education, Health, and Environmental Affairs

Economic Matters

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**Nonresident Real Estate Brokers - Commercial Real Estate - Reciprocity**

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This bill allows nonresident commercial real estate brokers and nonresident salespersons working for nonresident brokers to engage in transactions in the State under certain circumstances.

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**Fiscal Summary**

**State Effect:** Potential minimal decrease in general fund revenues due to lower fees collected for real estate broker licenses and fewer fees collected for real estate salesperson licenses. State expenditures will be unaffected.

**Local Effect:** None.

**Small Business Effect:** Potential minimal.

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**Analysis**

**Bill Summary:** The bill defines commercial real estate as: (1) real property improved by five or more single family units; (2) improved and unimproved real property zoned for commercial, industrial, or nonresidential use by the local zoning authority of the county or municipality in which the property is located; and (3) unimproved real property zoned for improvement as multifamily units by the local zoning authority of the county or municipality in which the property is located. Commercial real estate does not mean: (1) property zoned for agricultural use; or (2) single-family units, including a condominium or co-op unit for sale or lease, or otherwise conveyed or to be conveyed on a single basis.

A nonresident commercial real estate broker may be approved by the Maryland Real Estate Commission to engage in a transaction in the State if the nonresident broker:

- provides brokerage services through a broker licensed in the State;
- enters into a written agreement with the broker licensed in the State specifying the terms of cooperation and compensation, and including a statement allocating responsibility for the transaction, and a statement that the nonresident broker will adhere to the laws of the State;
- makes written application with the commission; and
- submits a temporary license fee of \$45.

The commission must issue a temporary license to a nonresident real estate broker that complies with the above requirements if the broker is licensed in a jurisdiction that allows a Maryland broker to obtain a license under similar circumstances.

Upon approval by the commission, the nonresident broker may engage in a transaction in the State, as may any nonresident salesperson provided the nonresident salesperson works under the direct supervision of the nonresident broker and provides brokerage services only in the name of the nonresident broker.

All trust money paid on account of a transaction involving commercial real estate in the State shall be received and deposited in the trust account of the Maryland broker.

**Current Law:** For a licensee who holds a comparable real estate license from another state, the commission may waive any additional requirements for licensure if the licensee:

- pays the application fee corresponding to the level of licensure;
- provides adequate evidence that the applicant meets the qualifications otherwise required of applicants at the same level of licensure;
- submits a certified copy of the applicant's license from the state of issuance; and
- for a real estate broker license, provides adequate evidence of an active office in the other state.

**State Revenues:** General fund revenues could decrease due to a loss of fees that are currently charged to out-of-state licensees who become licensed to provide brokerage services in the State. Current application fees are \$95 for a real estate broker and \$45 for a real estate salesperson. Additionally, each applicant must pay a one-time fee of \$20 into the Real Estate Guaranty Fund. Because there are no reliable data on the number of out-of-state licensees who may avoid, or pay lower, fees under the bill, it is impossible to

estimate the loss of revenue. However, because the fees are relatively low, any decreases in revenue are expected to be minimal.

**Background:** In March 2001, the advisory board of the Realtor Commercial Affiliation, an entity organized under the National Association of Realtors, agreed to support draft model legislation recommended by its License Reciprocity Task Force that allows out-of-state commercial licensees to operate in a given state by entering into a written agreement with an in-state licensee. Maryland is one of several states in which similar legislation is being introduced.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 596 (Delegate Brown) – Economic Matters.

**Information Source(s):** Department of Labor, Licensing, and Regulation; Realtors Commercial Alliance Report; Department of Legislative Services

**Fiscal Note History:** First Reader - February 15, 2002  
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