

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1049
Ways and Means

(Washington County Delegation)

Budget and Taxation

Washington County – Revenues – Education

This bill alters the uses for which the revenues from the Washington County building excise tax and transfer tax may be expended to include primary, secondary, and higher education capital expenditures. The bill also expands the use of \$400,000 in transfer tax revenues that are to be used for agricultural preservation to include the purchase of easements and transferable development rights using installment purchase agreements.

The bill takes effect July 1, 2004.

Fiscal Summary

State Effect: None.

Local Effect: The bill does not alter the amount of revenue collected from the Washington County building excise tax and transfer tax.

Small Business Effect: None.

Analysis

Current Law: Revenues from the Washington County building excise tax may only be used for: school renovation and construction; public safety capital expenditures; public infrastructure projects; and debt reduction. Transfer tax revenues may only be used for: school renovation and construction; public safety, including grants and loans to volunteer fire and rescue companies for capital expenditures; transportation projects; and debt reduction.

Background: Chapter 468 of 2003 authorized Washington County, by ordinance, to impose a building excise tax on construction and a transfer tax on an instrument of writing.

Excise taxes are charges on new development used to fund capital programs and services necessitated by new growth. In 1990, the Maryland Court of Appeals held that counties must obtain explicit authority from the General Assembly before imposing impact fees (excise taxes), though all municipalities have the broad authority to impose fees under existing laws.

Currently, 15 counties, including Washington, have received specific authority to charge impact fees or excise taxes. A local property transfer tax may be imposed on instruments transferring title to real property. A distinction is made in the local codes between instruments transferring title such as a deed and certain leaseholds and instruments securing real property such as a mortgage. Except in Prince George's County, mortgages are not subject to the tax. Currently, 17 jurisdictions, including Washington County, impose a transfer tax. Local transfer tax rates range from 0.2% in Allegany County to 1.5% in Baltimore City and Baltimore County.

It was estimated that Washington County revenues could increase by approximately \$4.5 million annually from implementing both a building excise tax and a transfer tax. This estimate includes \$3.0 million in transfer tax revenues based on real property transfers totaling \$708.5 million and assuming that the county sets and maintains a 0.5% transfer tax rate. The estimate also includes \$1.5 million in building excise tax revenues based on the county setting and maintaining the building excise tax at \$1.00 per square foot.

The building excise tax rate is \$1.00 per square foot for multifamily residential construction. For single family residential construction the rate is \$0.25 per square foot in fiscal 2004, \$0.50 per square foot in fiscal 2005, and \$0.75 per square foot in fiscal 2006. The transfer tax rate is 0.5% of the consideration payable for the instrument of writing. The proposed fiscal 2005 budget assumes \$1.8 million in building excise tax revenues and \$2.5 million in transfer tax revenues.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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