

Department of Legislative Services  
Maryland General Assembly  
2005 Session

FISCAL AND POLICY NOTE  
Revised

House Bill 1472  
Ways and Means

(Delegate Kullen, *et al.*)

Budget and Taxation

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Recordation Tax and State Transfer Tax - Exemption for Transfer to Brother or Sister

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This bill exempts a real property transfer to a brother, sister, stepbrother, or stepsister from recordation taxes and State and code home rule county transfer taxes.

The bill takes effect July 1, 2005.

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Fiscal Summary

**State Effect:** Potential decrease in State transfer tax revenue. No effect on expenditures.

**Local Effect:** Potential decrease in local recordation tax revenues and code county transfer tax revenues. Local expenditures would not be affected.

**Small Business Effect:** None.

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Analysis

**Current Law:** A real property transfer, subject to a mortgage or deed of trust, is exempt from recordation and transfer tax when the transfer is to one the following relatives:

- spouse or former spouse;
- son, daughter, stepson, or stepdaughter;

- parent or stepparent;
- son-in-law, daughter-in-law, stepson-in-law, or stepdaughter-in-law;
- parent-in-law or stepparent-in-law; or
- grandchild or stepgrandchild.

Section 13-402.1 of the Property-Tax Article provides that any exemption from State transfer taxes under Section 13-207 also applies to a code home rule county's transfer taxes. The following are code home rule counties: Allegany, Caroline, Charles, Kent, Queen Anne's, and Worcester.

**Background:** 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 counties and Baltimore City are authorized by law to impose local 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.

**State Revenues:** State special fund revenues would decrease to the extent that properties are transferred between siblings. Information is currently not compiled by the clerks of the court that would enable Legislative Services to determine how much transfer tax has been collected in the past from transfers to brothers or sisters or to estimate any future impact of exempting those transfers from transfer tax. The actual decrease in transfer taxes depends on the consideration payable and the number of transfers during the year.

**Local Revenues:** County and Baltimore City recordation tax revenues could decrease. The actual decrease in recordation taxes depends on the county recordation tax rate, the consideration payable in the transfer, and the number of transfers during the year.

The code home rule counties' transfer tax revenue could decrease. The actual decrease in transfer taxes depends on the county transfer tax rate, the consideration payable in the transfer, and the number of transfers during the year. The following are the transfer tax rates for fiscal 2005 of the code home rule counties:

<u>County</u>	<u>Transfer Tax Rate</u> <u>(Percentage of Transaction Value)</u>
Allegany	0.2%
Caroline	0.5%
Charles	0.0%
Kent	0.5%
Queen Anne's	0.5%
Worcester	0.5%

### Additional Information

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** State Department of Assessments and Taxation, Calvert County, Wicomico County, Judiciary (Administrative Office of the Courts), Maryland Association of Counties, Department of Legislative Services

**Fiscal Note History:** First Reader - March 11, 2005  
mll/hlb Revised - Enrolled Bill - April 14, 2005

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