

Department of Legislative Services  
Maryland General Assembly  
2006 Session

FISCAL AND POLICY NOTE

House Bill 983  
Ways and Means

(Delegate Gordon, *et al.*)

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Recordation Tax - Distribution of Revenues to Municipal Corporation

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This bill requires a county to remit to a municipality recordation tax revenue collected from a transaction for property located within that municipality.

The bill takes effect July 1, 2006.

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Fiscal Summary

**State Effect:** None.

**Local Effect:** County recordation tax revenues would decrease by approximately \$67.6 million and municipal revenues would increase correspondingly beginning in FY 2007. Expenditures would not be affected. **This bill imposes a mandate on a unit of local government.**

**Small Business Effect:** None.

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Analysis

**Current Law:** 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.

**Background:** Counties are the primary unit of local government in Maryland, responsible for most basic services such as police, fire, local corrections, sanitation, local

highways, health, and parks and recreation. In addition, counties are responsible for funding public schools, libraries, local community colleges, and the circuit courts. Compared to counties, municipalities in Maryland provide a more limited array of public services. Public works and public safety are the two largest functions of municipal governments, comprising 63% of municipal expenditures in fiscal 2004. In addition, municipalities do not fund local school systems and community colleges which account for over 50% of local government expenditures. As shown in **Appendix 1**, municipalities account for only 4% of total local government expenditures. In five counties, municipal governments account for over 15% of local government expenditures.

There are 156 municipalities in Maryland. Based on July 2004 population estimates, approximately 15% of the State's residents live within municipalities (excluding Baltimore City). On the Eastern Shore and in Western Maryland, there are nine counties that have over 30% of their residents living in municipalities. Municipalities in Maryland are relatively small, with 60%, or 94 municipalities, having fewer than 2,500 residents and 5%, or 8 municipalities, having more than 25,000 residents. Gaithersburg (Montgomery County) with 58,100 residents is Maryland's largest municipality, followed by Rockville (Montgomery County) with 57,100 residents and Frederick (Frederick County) with 57,000 residents. Port Tobacco (Charles County) is the smallest with 18 residents.

**Appendix 2** shows the number of municipal residents in each county. **Appendix 3** shows local government expenditures in fiscal 2004 for counties and municipalities. County expenditures include the local school systems, library boards, health departments, and local community colleges.

**Local Fiscal Effect:** County recordation tax revenues would decrease by approximately \$67.6 million and municipal revenue would increase by the same amount. County governments collected \$415.6 million in recordation taxes in fiscal 2004, the most recent data available, as shown in **Appendix 4**. Assuming that the percentage of property transactions for properties located within a municipal boundary corresponds to the percentage of the population that resides within the boundaries of a municipality, county recordation tax would be remitted to the municipalities as shown in Appendix 4.

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## **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** State Department of Assessments and Taxation, City of Laurel, Montgomery County, Prince George's County, Harford County, Maryland Municipal League, Department of Legislative Services

**Fiscal Note History:** First Reader - March 6, 2006  
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**Appendix 1**  
**Local Government Expenditures**  
**Fiscal 2004**  
**(\$ in Millions)**

	<u>Expenditures</u>	<u>Percent of Total</u>
County Level	\$18,794.6	95.6%
Municipal Level	\$860.6	4.4%
<b>Total</b>	<b>\$19,655.2</b>	<b>100.0%</b>

<u>County Level</u>	<u>Expenditures</u>	<u>Percent of Total</u>
County Governments	\$7,425.0	41.8%
Public Schools	8,800.3	49.5%
Libraries	206.5	1.2%
Community Colleges	765.4	4.3%
Health Departments	568.5	3.2%
<b>Subtotal</b>	<b>\$17,765.7</b>	<b>100.0%</b>
Debt Service	1,028.9	
<b>Total</b>	<b>\$18,794.6</b>	

<u>Municipal Level</u>	<u>Expenditures</u>	<u>Percent of Total</u>
Public Works	\$367.1	42.7%
Public Safety	174.0	20.2%
General Government	108.1	12.6%
Parks and Recreation	85.8	10.0%
Community Development	15.6	1.8%
Economic Development	34.0	3.9%
Miscellaneous	28.1	3.3%
Debt Service	47.9	5.6%
<b>Total</b>	<b>\$860.6</b>	<b>100.0%</b>

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**Appendix 2**  
**Residents Residing in Municipalities**  
**July 2004**

<b>County</b>	<b>County Population</b>	<b>Municipal Population</b>	<b>Percent of County</b>	<b>Rank</b>
Allegany	73,871	33,325	45.1%	3
Anne Arundel	508,572	36,328	7.1%	19
Baltimore City	636,251	0	0.0%	24
Baltimore	780,821	0	0.0%	24
Calvert	86,474	5,249	6.1%	20
Caroline	31,058	10,012	32.2%	9
Carroll	166,159	42,711	25.7%	12
Cecil	95,526	25,437	26.6%	10
Charles	135,807	11,605	8.5%	18
Dorchester	30,912	14,087	45.6%	1
Frederick	217,653	86,618	39.8%	6
Garrett	30,124	6,742	22.4%	13
Harford	235,594	35,691	15.1%	16
Howard	266,738	0	0.0%	24
Kent	19,582	8,184	41.8%	4
Montgomery	921,690	152,200	16.5%	15
Prince George's	842,967	223,410	26.5%	11
Queen Anne's	45,078	4,438	9.8%	17
St. Mary's	94,921	1,983	2.1%	21
Somerset	25,863	5,437	21.0%	14
Talbot	35,017	15,931	45.5%	2
Washington	139,624	49,769	35.6%	7
Wicomico	88,782	36,095	40.7%	5
Worcester	48,974	17,135	35.0%	8
<b>Statewide</b>	<b>5,558,058</b>	<b>822,387</b>	<b>14.8%</b>	

Source: Maryland Department of Planning, Department of Legislative Services

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**Appendix 3**  
**Local Government Expenditures**  
**Fiscal 2004**  
**(\$ in Millions)**

<b>County</b>	<b>County</b>	<b>Municipal</b>	<b>Total</b>	<b>Percent Municipal</b>
Allegany	\$202.6	\$13.4	\$216.0	6.2%
Anne Arundel	1,477.3	56.5	1,533.8	3.7%
Baltimore City	2,810.9	0.0	2,810.9	0.0%
Baltimore	2,209.6	0.0	2,209.6	0.0%
Calvert	286.2	8.5	294.7	2.9%
Caroline	84.0	11.1	95.1	11.7%
Carroll	449.9	38.1	488.0	7.8%
Cecil	231.1	20.2	251.2	8.0%
Charles	469.8	13.5	483.3	2.8%
Dorchester	95.1	18.1	113.1	16.0%
Frederick	650.2	90.3	740.6	12.2%
Garrett	101.5	5.8	107.2	5.4%
Harford	675.3	37.7	712.9	5.3%
Howard	1,035.0	0.0	1,035.0	0.0%
Kent	57.2	6.5	63.7	10.1%
Montgomery	3,995.6	154.0	4,149.6	3.7%
Prince George's	2,683.2	103.5	2,786.7	3.7%
Queen Anne's	149.4	1.4	150.8	0.9%
St. Mary's	269.4	1.9	271.4	0.7%
Somerset	64.1	4.6	68.7	6.7%
Talbot	85.8	59.1	144.9	40.8%
Washington	310.0	78.7	388.7	20.3%
Wicomico	232.8	43.3	276.0	15.7%
Worcester	168.7	94.5	263.2	35.9%
<b>Statewide</b>	<b>\$18,794.6</b>	<b>\$860.6</b>	<b>\$19,655.2</b>	<b>4.4%</b>

Source: Department of Legislative Services

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**Appendix 4**  
**Proposed Municipal Allocation of County Recordation Taxes**  
**Fiscal 2004 Revenues**

<b>County</b>	<b>County Recordation Tax Revenues</b>	<b>Percent of Population in Municipalities</b>	<b>Proposed Municipal Allocation</b>
Allegany	\$1,380,744	45.1%	\$622,716
Anne Arundel	51,888,118	7.1%	3,684,056
Baltimore City	17,965,780	0.0%	0
Baltimore	34,923,594	0.0%	0
Calvert	11,322,287	6.1%	690,660
Caroline	2,227,225	32.2%	717,166
Carroll	19,238,898	25.7%	4,944,397
Cecil	6,524,108	26.6%	1,735,413
Charles	18,092,994	8.5%	1,537,904
Dorchester	2,925,039	45.6%	1,333,818
Frederick	23,177,672	39.8%	9,224,713
Garrett	3,540,859	22.4%	793,152
Harford	7,336,302	15.1%	1,107,782
Howard	21,979,966	0.0%	0
Kent	1,649,107	41.8%	689,327
Montgomery	110,810,439	16.5%	18,283,722
Prince George's	35,233,144	26.5%	9,336,783
Queen Anne's	5,052,104	9.8%	495,106
St. Mary's	7,582,740	2.1%	159,238
Somerset	739,954	21.0%	155,390
Talbot	5,840,080	45.5%	2,657,236
Washington	9,099,556	35.6%	3,239,442
Wicomico	4,451,424	40.7%	1,811,730
Worcester	12,622,178	35.0%	4,417,762
<b>Total</b>	<b>\$415,604,312</b>	<b>14.8%</b>	<b>\$67,637,514</b>

Source: Department of Legislative Services

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