

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1026
Ways and Means

(Prince George's County Delegation)

Budget and Taxation

Prince George's County - Transfer Tax - County and Municipal Police Officers
PG 408-06

This bill provides an exemption from the Prince George's County transfer tax for the transfer of property to a Prince George's County police officer or a municipal police officer who operates in the county as long as it is the officer's principal residence and it is a first-time home purchase. The transfer tax rate on subsequent purchases is capped at 1%. The officer must be employed by the county police department for a minimum of three years following the purchase and would be required to repay the transfer tax if the residency and employment requirements are not met.

The bill takes effect July 1, 2006.

Fiscal Summary

State Effect: None.

Local Effect: Prince George's County transfer tax revenues could decrease by \$380,100 annually beginning in FY 2007. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: None.

Analysis

Current Law: The State and counties impose a transfer tax. 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). In some

jurisdictions 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.

Background: The Prince George's County transfer tax rate is currently 1.4% and the county employs 1,360 police officers with an additional 150 officers to be hired in fiscal 2007. There are also 300 full-time and part-time municipal police officers in Prince George's County.

Local Revenues: Prince George's County transfer tax revenues could decrease by approximately \$380,100 annually beginning in fiscal 2007. In the first quarter of fiscal 2006, the average home sale price in Prince George's County was \$300,000. The county transfer tax rate is 1.4%, and there are a total of 1,810 officers eligible for the transfer tax exemption or reduction. Assuming each home purchased by a police officer is of average value, that annually 3% of officers will make a first-time home purchase, and another 7% of officers will purchase a home subject to the 1% cap, county transfer tax revenue loss would total \$380,100.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - March 7, 2006
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