

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE

House Bill 207

(Chairman, Ways and Means Committee)

(By Request – Maryland Judicial Conference)

Ways and Means

State Transfer Tax - Residential Property - Affidavit of First-Time Ownership

This bill requires that the statement verifying a buyer's status for the first-time homebuyers State transfer tax reduction be included in the recitals or in the acknowledgement of the deed or submitted with the deed.

Fiscal Summary

State Effect: None. The change is procedural in nature and would not directly affect governmental finances.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: 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 homebuyers). A statement verifying that the buyer is a first-time homebuyer must be signed by the buyer or buyer's agent. The recordation fee is \$20 for an instrument of nine or fewer pages in length or for an instrument involving solely a principal residence.

Background: The State transfer tax funds several programs in the Department of Natural Resources (DNR) and the Maryland Department of Agriculture. A portion of State transfer tax revenues (3%) is earmarked to defray administrative costs within DNR,

the Department of General Services, and the Maryland Department of Planning. The remainder of the revenue is dedicated to various programs including Program Open Space (POS), the Maryland Agricultural Land Preservation Fund (MALPF), Rural Legacy, and the Heritage Conservation Fund. **Exhibit 1** shows the normal distribution of State transfer tax revenues after administrative costs are deducted.

Exhibit 1
Distribution of State Transfer Tax Revenues

POS	75.15%
POS Land Acquisition	1.00%
MALPF	17.05%
Rural Legacy	5.00%
Heritage Conservation Fund	<u>1.80%</u>
Total	100.0%

Of the transfer tax revenues distributed to POS, \$1 million may be transferred by an appropriation in the State budget or by budget amendment to the Maryland Heritage Areas Authority Financing Fund within the Department of Housing and Community Development. Of the remaining funds, half is allocated for State acquisition and half is allocated to local governing bodies for acquisition and development of land for recreation and open space purposes.

Additional Information

Prior Introductions: None.

Cross File: SB 147 (Chairman, Budget and Taxation Committee) (By Request – Maryland Judicial Conference) – Budget and Taxation.

Information Source(s): State Department of Assessments and Taxation, Judiciary (Administrative Office of the Courts), Department of Legislative Services

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