

Department of Legislative Services  
Maryland General Assembly  
2006 Session

FISCAL AND POLICY NOTE

House Bill 1397  
Ways and Means

(St. Mary's County Delegation)

Budget and Taxation

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Recordation Tax - Exemption for Transfers from a Government or Public Agency

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This bill establishes an exemption from the recordation tax for transactions granting a security interest in real property from the United States, the State, an agency of the State, or a political subdivision of the State.

The bill takes effect July 1, 2006.

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Fiscal Summary

**State Effect:** None.

**Local Effect:** Potential minimal decrease in county recordation tax revenues. The extent to which these types of transactions occur cannot be reliably estimated but are expected to be minimal.

**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. Recordation of a security interest to the United States, the State, an agency of the State, or a political subdivision of the State is exempt from recordation tax.

**Local Fiscal Effect:** County recordation tax revenues could decrease minimally when a security interest in real property is recorded where the security interest is from the U.S. government, the State, an agency of the State, or a political subdivision of the State. For instance, if the St. Mary's County Housing Authority, a political subdivision of the State, were to secure debt issued with a security interest in a housing project the recording of that security interest would be exempt from recordation taxes. According to St. Mary's County, the Housing Authority recently paid \$48,000 in recordation taxes for a construction loan related to the Gateways Community, a 42-unit housing community. The actual number of transactions involving recording a security interest from one of these entities cannot be reliably estimated but is expected to be minimal.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** State Department of Assessments and Taxation, Wicomico County, Allegany County, Montgomery County, Prince George's County, Talbot County, Judiciary (Administrative Office of the Courts), Baltimore City, Department of Legislative Services

**Fiscal Note History:** First Reader - March 15, 2006  
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