

Department of Legislative Services
Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE
Revised

House Bill 654
Ways and Means

(Prince George's County Delegation)

Budget and Taxation

Prince George's County - Transfer Tax - Deputy Sheriffs
PG 409-07

This bill provides an exemption from the Prince George's County transfer tax for the transfer of property to a Prince George's County deputy sheriff as long as it is the deputy's principal residence and it is a first-time home purchase. The deputy sheriff must be employed by the county for a minimum of three years following the purchase and would have to repay the transfer tax if the residency and employment requirements are not met.

The bill takes effect July 1, 2007.

Fiscal Summary

State Effect: None.

Local Effect: Prince George's County transfer tax revenues could decrease by \$30,000 annually beginning in FY 2008. **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 homebuyers). 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 tax.

Background: Chapter 373 of 2006 exempted Prince George's County police officers or municipal police officers who operate in Prince George's County from the transfer tax, 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 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 Prince George's County transfer tax rate is currently 1.4% and the county has budgeted to employ 225 deputy sheriffs in fiscal 2008.

Local Revenues: Prince George's County tax revenues could decrease by approximately \$30,000 annually beginning in fiscal 2008. In the first quarter of fiscal 2007, the average home sale price in Prince George's County was \$315,000. The county transfer tax rate is 1.4%, and there are a total of 225 deputies eligible for the transfer tax exemption. Assuming each home purchased by a deputy sheriff is of average value and that 3% of deputies will make a first-time home purchase each year, county transfer tax revenues would decrease by approximately \$30,000 annually.

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 - February 27, 2007
mll/hlb Revised - Enrolled Bill - May 7, 2007

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