

Department of Legislative Services
 Maryland General Assembly
 2008 Session

FISCAL AND POLICY NOTE

House Bill 1410 (Delegate Ali)
 Economic Matters

Truth in Advertising Real Estate Taxes Act

This bill prohibits a seller or seller’s agent from producing or distributing any written or electronically transmitted material in connection with the advertisement for sale of specific residential real property unless the material discloses the estimated full-year property taxes that the buyer would be obligated to pay in the next full tax year after the property is transferred. The Division of Consumer Protection of the Attorney General’s Office must assist the seller or seller’s agent in estimating the tax information specified by the bill. Violators of these provisions are guilty of a misdemeanor and subject to imprisonment of up to six months and/or a fine of up to \$1,000.

The bill takes effect July 1, 2008.

Fiscal Summary

State Effect: General fund expenditures could increase by \$276,000 in FY 2009. Future year expenditures reflect annualization and inflation. The criminal penalty provisions of the bill are not expected to significantly affect State finances or operations.

(in dollars)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	276,000	357,100	374,200	392,200	411,200
Net Effect	(\$276,000)	(\$357,100)	(\$374,200)	(\$392,200)	(\$411,200)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: The criminal penalty provisions of the bill are not expected to significantly affect local finances or operations.

Small Business Effect: None.

Analysis

Current Law: None applicable.

Background: The Consumer Protection Division of the Attorney General’s Office provides mediation services to consumers to help resolve complaints against businesses and health insurance carriers. The division also provides information about complaints that have been filed against businesses, as well as informing residents if certain businesses are properly registered.

State Fiscal Effect: The bill requires the Consumer Protection Division of the Attorney General’s Office to assist real property sellers and their agents in calculating the tax information specified by the bill prior to advertising a residential property for sale. Based on the number of residential property sales that take place each year, as shown in **Exhibit 1**, it is believed that this task could significantly increase the workload of the division.

As a result, general fund expenditures could increase by an estimated \$276,000 in fiscal 2009, which accounts for the bill’s July 1, 2008 effective date and a 90-day start-up delay. This estimate reflects the cost of hiring 5 investigators and 1 legal secretary to assist in determining the amount of taxes to be included in each residential property advertisement. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	6
Salaries and Fringe Benefits	\$232,816
Operating Expenses	<u>43,158</u>
Total FY 2009 State Expenditures	\$275,974

Future year expenditures reflect • full salaries with 4.4% annual increases and 3% employee turnover; and • 2% annual increases in ongoing operating expenses.

Exhibit 1
Residential Property Sales
FY 2003-2007

<u>County</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Allegany	518	574	624	656	570
Anne Arundel	9,732	11,035	10,648	10,002	7,571
Baltimore City	3,998	4,269	6,130	4,255	7,100
Baltimore	12,298	13,119	13,980	13,516	11,234
Calvert	1,446	1,366	1,391	1,227	855
Caroline	329	353	469	544	423
Carroll	2,851	2,880	2,797	2,654	2,118
Cecil	1,369	1,460	1,491	1,381	1,166
Charles	2,865	2,785	3,164	3,295	2,766
Dorchester	271	366	439	413	369
Frederick	4,703	5,526	5,095	4,830	3,549
Garrett	167	141	154	132	130
Harford	4,471	4,622	5,109	5,112	3,961
Howard	5,229	5,481	5,448	5,263	4,404
Kent	177	232	188	212	187
Montgomery	18,387	19,174	19,907	18,220	13,757
Prince George's	9,876	12,327	15,578	16,003	9,457
Queen Anne's	777	794	762	803	617
St. Mary's	1,339	1,446	1,628	1,536	1,251
Somerset	153	121	168	183	149
Talbot	622	686	710	593	485
Washington	1,643	1,878	2,181	1,944	1,498
Wicomico	1,238	1,264	1,307	1,231	1,115
Worcester	511	453	268	260	239
Total	84,970	92,352	99,636	94,265	74,971

Source: State Department of Assessments and Taxation

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Office of the Attorney General (Consumer Protection),
Department of Legislative Services

Fiscal Note History: First Reader - February 21, 2008
mcp/hlb

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