

Department of Legislative Services  
Maryland General Assembly  
2008 Session

FISCAL AND POLICY NOTE

House Bill 1424  
Ways and Means

(Delegate Barve, *et al.*)

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Counties and Municipal Corporations - Transfer Tax

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This bill authorizes all counties and municipalities to impose a local transfer tax of up to 0.5%. At least 50% of the revenues must be distributed to a special fund dedicated to capital costs for public infrastructure that supports community growth and development. A public hearing must be held prior to imposing the transfer tax.

The bill takes effect October 1, 2010.

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Fiscal Summary

**State Effect:** None.

**Local Effect:** Potentially significant revenue increase for Calvert, Carroll, Cecil, Charles, Frederick, Somerset, and Wicomico counties and for municipalities beginning in FY 2011. Expenditures are not directly affected.

**Small Business Effect:** Minimal.

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Analysis

**Current Law:** Sixteen counties and Baltimore City impose a local transfer tax. Calvert, Carroll, Cecil, Charles, Frederick, Somerset, and Wicomico counties do not impose a county transfer tax. Municipalities are not authorized to impose a transfer tax. **Exhibit 1** shows county transfer tax collections for fiscal 2005 through 2008.

**Background:** The State and most 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 the tax.

**Local Fiscal Effect:** To the extent counties and municipalities exercise the authority to impose a local transfer tax, county and municipal revenues could increase by a significant amount beginning in fiscal 2011. County revenues could increase by approximately \$39.4 million annually in the seven counties that do not currently impose a transfer tax assuming full year collections and a 0.5% tax rate. The estimate assumes that the transfer tax would be imposed on the same base (instruments of writing) as the county recordation tax. **Exhibit 2** shows the potential increase in county revenues.

One half of the increased revenues would be dedicated for capital costs for public infrastructure to support community growth and development, including: • streets, roads, bridges, and related infrastructure; • parks and recreational facilities; • storm drain facilities; • water and wastewater treatment facilities; • water and wastewater maintenance and related infrastructure; • emergency and public safety services; • public school construction and renovation projects, including those funded through operating funds; and • debt reduction related to expenditures for capital improvements.

Municipal revenues could increase by approximately \$37.5 million annually, assuming all municipalities impose a 0.5% transfer tax and the percentage of property transactions within a municipality corresponds to the percentage of the population that resides within the boundaries of a municipality. **Exhibit 3** shows the potential increase in municipal revenues.

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## **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Carroll County, Harford County, Montgomery County, Prince George's County, City of Laurel, Town of La Plata, Maryland Association of Counties, Maryland Municipal League, Judiciary (Administrative Office of the Courts), Department of Legislative Services

**Fiscal Note History:** First Reader - February 26, 2008  
ncs/hlb

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**Exhibit 1**  
**Local Transfer Taxes – Rates and Revenue Collections**

<b>County</b>	<b>Local Tax Rates</b>		<b>Revenue Collections</b>			
	<b>FY 2008</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
Allegany	0.50%	\$232,532	\$308,564	\$791,200	\$686,105	\$675,000
Anne Arundel	1.00%	47,164,989	56,885,486	61,819,230	52,030,890	48,000,000
Baltimore City	1.50%	31,209,314	46,423,968	61,124,000	51,756,000	46,035,000
Baltimore	1.50%	59,210,600	74,861,632	89,267,236	72,752,797	66,568,810
Calvert	0.00%	0	0	0	0	0
Caroline	0.50%	616,053	783,358	1,174,690	874,820	1,114,728
Carroll	0.00%	0	0	0	0	0
Cecil	\$10/deed	44,327	42,301	38,622	31,949	35,000
Charles	0.00%	0	0	0	0	0
Dorchester	0.75%	950,019	1,934,134	2,082,438	1,722,212	1,034,778
Frederick	0.00%	0	0	0	0	0
Garrett	1.00%	2,091,973	3,043,322	3,155,286	2,547,873	2,165,000
Harford	1.00%	14,672,604	19,602,014	22,610,227	17,452,339	14,565,994
Howard	1.00%	27,714,068	33,953,204	37,424,266	29,965,138	28,000,000
Kent	0.50%	813,197	944,558	958,977	1,034,300	730,000
Montgomery	1.00%	108,270,290	133,654,796	145,478,479	106,902,482	98,500,000
Prince George's	1.40%	92,204,250	124,313,988	167,882,826	158,093,206	124,196,100
Queen Anne's	0.50%	319,773	362,460	673,396	590,813	155,000
St. Mary's	1.00%	5,753,717	8,292,531	9,464,219	7,706,885	15,800,000
Somerset	0.00%	0	0	0	0	0
Talbot	1.00%	5,469,730	6,375,196	6,212,762	5,298,977	4,900,000
Washington	0.50%	2,439,544	4,182,273	4,326,445	3,444,730	3,000,000
Wicomico	0.00%	0	0	0	0	0
Worcester	0.50%	6,431,455	8,737,908	8,282,788	5,395,746	4,250,000
<b>Total</b>		<b>\$405,608,435</b>	<b>\$524,701,693</b>	<b>\$622,767,087</b>	<b>\$518,287,262</b>	<b>\$459,725,410</b>

Source: Maryland Association of Counties; Department of Legislative Services

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**Exhibit 2**  
**Estimated County Transfer Tax Revenues**

<u>County</u>	<u>Tax Rate</u>	<u>Tax Revenues</u>
Calvert	0.5%	\$4,750,000
Carroll	0.5%	8,000,000
Cecil	0.5%	4,100,000
Charles	0.5%	10,153,000
Frederick	0.5%	8,333,000
Somerset	0.5%	667,000
Wicomico	0.5%	3,425,000
<b>Total</b>		<b>\$39,428,000</b>

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**Exhibit 3**  
**Potential Increase in Municipal Revenues**

<b>County</b>	<b>County Tax Rates</b>	<b>County Revenues</b>	<b>Population in Municipalities</b>	<b>Municipal Revenues</b>
Allegany	0.50%	\$675,000	45.0%	\$303,000
Anne Arundel	1.00%	48,000,000	7.2%	1,721,000
Baltimore City	1.50%	46,035,000	0.0%	0
Baltimore	1.50%	66,569,000	0.0%	0
Calvert	0.50%	4,750,000	6.0%	287,000
Caroline	0.50%	1,115,000	33.6%	374,000
Carroll	0.50%	8,000,000	25.6%	2,048,000
Cecil	0.50%	4,100,000	26.5%	1,085,000
Charles	0.50%	10,153,000	8.8%	897,000
Dorchester	0.75%	1,035,000	46.8%	323,000
Frederick	0.50%	8,333,000	39.8%	3,318,000
Garrett	1.00%	2,165,000	22.0%	238,000
Harford	1.00%	14,566,000	15.2%	1,106,000
Howard	1.00%	28,000,000	0.0%	0
Kent	0.50%	730,000	37.8%	276,000
Montgomery	1.00%	98,500,000	16.6%	8,194,000
Prince George's	1.40%	124,196,000	26.6%	11,812,000
Queen Anne's	0.50%	155,000	10.6%	16,000
St. Mary's	1.00%	15,800,000	2.2%	173,000
Somerset	0.50%	667,000	21.9%	146,000
Talbot	1.00%	4,900,000	47.3%	1,158,000
Washington	0.50%	3,000,000	36.2%	1,085,000
Wicomico	0.50%	3,425,000	41.4%	1,416,000
Worcester	0.50%	4,250,000	34.8%	1,479,000
<b>Total</b>		<b>\$499,119,000</b>	<b>14.9%</b>	<b>\$37,455,000</b>

Source: Department of Legislative Services