

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

House Bill 1575 (Delegate Impallaria, *et al.*)
Rules and Executive Nominations

Transfer Tax - First-Time Maryland Home Buyer

This emergency bill specifies that a “first-time Maryland home buyer” is an individual who has never owned residential real property in Maryland that has been the individual’s personal residence for purposes of a State transfer tax exemption for first-time Maryland home buyers. Under current law, a first-time Maryland home buyer is an individual who has never owned in the State residential real property that has been the individual’s principal residence.

Fiscal Summary

State Effect: None. The bill does not affect State operations or finances.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: A first-time Maryland home buyer is an individual who has never owned in the State residential real property that has been the individual’s principal residence.

The State transfer tax is 0.5% of the consideration imposed on an instrument of writing recorded with the clerk of the circuit court for a county or filed with State Department of Assessments and Taxation (SDAT) on articles of transfer, merger, or consolidation. An instrument of writing is a written document that conveys title to or, creates or gives notice of a security interest in real property; or creates or gives notice of a security interest in

personal property. This includes, but is not limited to, deeds, contracts, and certain leases of real property.

The amount of the transfer tax is reduced to 0.25% for first-time homebuyers, and must be paid by the seller. Specified transfers, such as a transfer between family, or a transfer between related corporations, are exempt from the transfer tax.

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 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	1.80%
Total	100.0%

Of the transfer tax revenues distributed to POS, \$3 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 governments for acquisition and development of land for recreation and open space purposes.

State Fiscal Effect: The bill does not affect State operations or finances. When a person purchases a home in Maryland, they must sign a statement under oath indicating whether or not this is the person's first home purchased in Maryland in order to be eligible for the State transfer tax exemption. In addition, the person must also indicate on the land instrument intake sheet that the home is going to be their principal residence.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - March 30, 2009
ncs/hlb

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