

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

House Bill 919 Ways and Means (Queen Anne's County Delegation)

Queen Anne's County - Recordation and Transfer Tax - Collection Fees

This bill prohibits the clerk of the circuit court for Queen Anne's County from collecting a fee for the collection of recordation taxes or county transfer taxes.

The bill takes effect July 1, 2009.

Fiscal Summary

State Effect: General fund revenues decrease by \$284,300 annually beginning in FY 2010. Expenditures are not affected.

(in dollars)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
GF Revenue	(\$284,300)	(\$284,300)	(\$284,300)	(\$284,300)	(\$284,300)
Expenditure	0	0	0	0	0
Net Effect	(\$284,300)	(\$284,300)	(\$284,300)	(\$284,300)	(\$284,300)

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

Local Effect: Queen Anne's County revenues increase by as much as \$284,300 annually beginning in FY 2010. Local expenditures are not affected.

Small Business Effect: None.

Analysis

Current Law: The clerk of the circuit court in Queen Anne's County is entitled to 5% of all public money that the clerk receives, collects, and pays over, including a collection fee for collecting recordation taxes and the county transfer taxes.

Background: The majority of money collected by the clerks of the circuit courts relates to county recordation and transfer taxes. Chapter 639 of 2000 authorized the counties, rather than the clerks of the court, to collect recordation taxes.

While in most jurisdictions the clerk of the circuit courts is entitled to 5% of all public money collected, there are exceptions in the following eight jurisdictions:

- *Anne Arundel County:* 3% of the amount of recordation tax collected and 5% of all other public money received, collected, and paid over.
- *Baltimore City:* 2.5% of the amount of recordation tax collected and 5% of all other public money received, collected, and paid over.
- *Baltimore County:* 3% of the amount of recordation tax collected and 5% of all other public money received, collected, and paid over.
- *Charles County:* The clerk must deduct from recordation taxes collected the cost of two-thirds of the salaries and benefits of the court reporters for the circuit court and pay the amount deducted to the Charles County Treasurer. The payment must be made promptly after receipt of a voucher from the Charles County Treasurer stating the amount of the salaries and benefits paid to the court reporters.
- *Harford County:* 3% of the amount of recordation tax collected and 5% of all other public money received, collected, and paid over.
- *Montgomery County:* 3% of all public money received, collected, and paid over.
- *St. Mary's County:* The clerk is not entitled to a collection fee when collecting recordation taxes and county transfer taxes for the filing of a single instrument.
- *Washington County:* The clerk is not entitled to a collection fee for collecting the county transfer tax when the clerk collects both the recordation tax and county transfer tax for filing the same instrument.

Local Recordation and Transfer Tax Revenues

Recordation and transfer taxes provide a significant amount of revenue to local governments. In fiscal 2009, Queen Anne's County is projected to receive around \$4.5 million from the recordation tax and \$0.2 million from the transfer tax. Due to the downturn in the housing market and the national recession, county revenues from these

two sources have declined sharply in recent years. Queen Anne's County collected \$4.1 million in local recordation and transfer taxes in fiscal 2008 and is expected to collect \$4.7 million in fiscal 2009. This amount is significantly lower than the amounts collected in fiscal 2006 when the soaring real estate market yielded recordation and transfer taxes totaling \$7.5 million. **Exhibit 1** shows local recordation and transfer tax collections in Queen Anne's County since fiscal 2005.

Exhibit 1
Local Recordation and Transfer Tax Revenues in Queen Anne's County
(\$ in Millions)

	<u>Recordation Tax</u>	<u>Transfer Tax*</u>	<u>Total</u>
Fiscal 2005	\$5.8	\$0.4	\$6.2
Fiscal 2006	6.8	0.7	7.5
Fiscal 2007	6.0	0.6	6.6
Fiscal 2008	3.8	0.3	4.1
Fiscal 2009	4.5	0.2	4.7

* Reflects amount in the county's general fund operating budget.

Source: Maryland Association of Counties

State and Local Fiscal Effect: Because clerks' offices are funded through the State budget, the 5% collection fee currently allowed is general fund revenue. Under the bill's provisions, as of July 2009, the full amount of the transfer and recordation taxes collected is distributed to Queen Anne's County. According to information provided by the Judiciary, in fiscal 2008, Queen Anne's County collected a total of about \$4 million in recordation taxes and about \$1.7 million in county transfer taxes. Of the total amount collected, \$284,300 (5%) was general fund revenue. If current tax collection remains consistent, general fund revenues will decrease by \$284,300 annually and Queen Anne's County revenues will increase by the same amount.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Queen Anne's County, Judiciary (Administrative Office of the Courts), Maryland Association of Counties, Department of Legislative Services

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