

Department of Legislative Services
Maryland General Assembly
2011 Session

FISCAL AND POLICY NOTE

House Bill 1245
Ways and Means

(Delegate Kach)

Budget and Taxation

Recordation Tax and State Transfer Tax - Exemptions

This bill exempts the transfer of property subject to a mortgage or deed of trust to a grandparent or stepgrandparent from the recordation tax and State transfer tax.

The bill takes effect July 1, 2011.

Fiscal Summary

State Effect: Potential decrease in State transfer tax revenues. Expenditures are not affected.

Local Effect: Potential decrease in local recordation tax revenues. Local expenditures are not affected.

Small Business Effect: None.

Analysis

Current Law: Property subject to a mortgage or deed of trust that is transferred to a spouse, former spouse, son, daughter, stepson, stepdaughter, parent, stepparent, son-in-law, daughter-in-law, stepson-in-law, stepdaughter-in-law, parent-in-law, stepparent-in-law, brother, sister, stepbrother, stepsister, grandchild, stepgrandchild, domestic partner, or former domestic partner is exempt from transfer and recordation taxes.

Background: The counties and Baltimore City are authorized to impose locally established recordation tax rates on any business or person (1) conveying title to real

property; or (2) creating or giving notice of a security interest (*i.e.*, a lien or encumbrance) in real or personal property, by means of an instrument of writing.

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.

For purposes of local recordation taxes, which are applied to each \$500 or fraction of \$500 of consideration payable or of the principal amount of the debt secured for an instrument of writing, the consideration includes the amount of any mortgage or deed of trust assumed by the grantee. For purposes of the State transfer tax, the consideration includes the amount of any mortgage or deed of trust assumed by the grantee.

State Fiscal Effect: State special fund revenues will decrease to the extent that properties are transferred to a grandparent or stepgrandparent. However, the amount of any decrease depends on the number of instances when these types of transfers occur and the amount of consideration for each property. However, at this time the number of property transfers of this type cannot be reliably estimated.

The U.S. Census Bureau's American Community Survey indicates that there are approximately 122,800 grandparents in Maryland that are living with their own grandchildren.

As a point of reference, the State transfer tax on a property valued at \$250,000 is \$1,250. An exemption pursuant to the bill would result in a special fund revenue decrease of \$1,250 for each property transfer affected.

Local Fiscal Effect: Local recordation tax revenues will decrease to the extent that properties are transferred to grandparents or stepgrandparents. However, the amount of any decrease depends on the number of instances when these types of transfers occur and the amount of consideration for each property. However, at this time the number of property transfers of this type cannot be reliably estimated.

As a point of reference, **Exhibit 1** shows the estimated effect of one exemption pursuant to the bill in each county. **Exhibit 2** shows the current county recordation tax rates and estimated revenues for fiscal 2009 through 2011.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - March 18, 2011
mc/hlb

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Exhibit 1
Recordation Tax Exemption by County

County	Average Assessment	Recordation Tax Rates FY 2011	Estimated Revenue Decrease
Allegany	\$106,756	\$3.25	(\$694)
Anne Arundel	254,274	3.50	(1,780)
Baltimore City	112,721	5.00	(1,127)
Baltimore	214,045	2.50	(1,070)
Calvert	342,575	5.00	(3,426)
Caroline	188,644	5.00	(1,886)
Carroll	293,465	5.00	(2,935)
Cecil	238,648	4.10	(1,957)
Charles	271,916	5.00	(2,719)
Dorchester	166,889	5.00	(1,669)
Frederick	272,111	6.00	(3,265)
Garrett	136,169	3.50	(953)
Harford	268,959	3.30	(1,775)
Howard	356,056	2.50	(1,780)
Kent	232,430	3.30	(1,534)
Montgomery	459,769	3.45	(3,172)
Prince George's	202,103	2.50	(1,011)
Queen Anne's	337,949	4.95	(3,346)
St. Mary's	263,066	4.00	(2,105)
Somerset	135,777	3.30	(896)
Talbot	271,216	3.30	(1,790)
Washington	196,722	3.80	(1,495)
Wicomico	169,333	3.50	(1,185)
Worcester	210,978	3.30	(1,392)
Total	\$268,183		(\$44,963)

Source: Maryland Association of Counties; Department of Legislative Services

Exhibit 2
Local Recordation Taxes – Rates and Revenue Collections

County	Tax Rates	FY 2009	FY 2010	FY 2011
Allegany	\$3.25	\$1,242,338	\$1,235,868	\$1,250,000
Anne Arundel	3.50	28,419,042	28,976,000	30,000,000
Baltimore City	5.00	22,706,426	20,942,368	18,622,000
Baltimore	2.50	18,000,000	19,000,000	21,000,000
Calvert	5.00	5,799,985	5,690,348	5,700,000
Caroline	5.00	1,236,559	1,236,554	1,200,000
Carroll	5.00	9,248,039	9,224,371	8,000,000
Cecil	4.10	4,580,956	4,382,564	4,200,000
Charles	5.00	9,947,801	9,500,396	9,929,800
Dorchester	5.00	1,967,178	1,921,225	1,781,386
Frederick	6.00	10,415,103	10,686,142	10,442,200
Garrett	3.50	2,335,811	2,037,153	1,950,000
Harford	3.30	9,434,605	10,236,128	8,935,000
Howard	2.50	12,991,383	15,267,362	15,500,000
Kent	3.30	1,038,301	968,716	995,000
Montgomery	3.45	60,660,424	65,411,156	77,093,511
Prince George's	2.50	25,716,764	27,028,936	26,955,300
Queen Anne's	4.95	2,930,197	2,489,560	2,650,000
St. Mary's	4.00	5,260,423	4,974,956	4,900,000
Somerset	3.30	552,785	556,498	318,000
Talbot	3.30	3,016,205	2,934,335	3,200,000
Washington	3.80	4,683,063	3,933,626	3,500,000
Wicomico	3.50	2,845,744	2,590,719	2,770,000
Worcester	3.30	5,962,649	6,195,293	5,250,000
Total		\$250,991,781	\$257,420,274	\$266,142,197

Source: Maryland Association of Counties; Department of Legislative Services
