

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE

Senate Bill 464

(Chair, Anne Arundel County Senators)

Budget and Taxation

County Transfer Tax - Collection

This bill authorizes counties to provide, by law, for the collection of the county transfer tax imposed on transactions involving articles of transfer, articles of consolidation, or articles of merger or documents filed with the State Department of Assessments and Taxation (SDAT) or the clerk of the circuit court.

The bill takes effect July 1, 2012.

Fiscal Summary

State Effect: The bill does not materially affect State operations or finances.

Local Effect: The bill does not materially affect county operations or finances as most counties currently collect transfer taxes.

Small Business Effect: None.

Analysis

Current Law: Generally, transfer tax revenues are collected within each county by the clerk of the court or the director of finance. Local transfer taxes on transactions involving articles of transfer, articles of consolidation, or articles of merger are collected by SDAT and remitted to the Comptroller. The Comptroller must deduct the administrative costs associated with collecting the tax and distributes the remainder to the subdivision, based upon the actual collections in the subdivision.

Background: A local transfer tax may be imposed on instruments of writing transferring title to real property. The power to levy such a tax must be approved by the General Assembly for charter and commission counties and Baltimore City. Code counties are authorized by statute to impose a transfer tax. A distinction is made in the local codes between instruments transferring title such as a deed or certain leaseholds and instruments securing real property such as a mortgage. In addition, transfer taxes are imposed on the transfer of real property with a value of \$1.0 million or more when the transfer is achieved through the sale of a “controlling interest” in a specified corporation, partnership, limited liability company, limited liability partnership, or other form of unincorporated business. Controlling interest is defined as more than 80% of the total value of the stock or the interest in capital and profits.

State Fiscal Effect: The bill is not expected to materially affect State operations or finances. The Comptroller’s Office and SDAT advise that of the transfer taxes collected by SDAT for transactions involving articles of transfer, articles of consolidation, or articles of merger, no amount is currently deducted for administrative costs associated with collecting the tax on behalf of the local government. As a result, State finances are not directly affected.

Local Fiscal Effect: The bill does not materially affect county operations or finances as most counties currently collect transfer taxes. As previously noted, transfer tax revenues are collected within each county by the clerk of the circuit court or the director of finance. The bill adds transactions involving articles of transfer, articles of consolidation, or articles of merger to the list of transfers that may be collected at the local level.

Additional Information

Prior Introductions: None.

Cross File: HB 846 (Delegate George) - Ways and Means.

Information Source(s): Anne Arundel, Baltimore, Carroll, Cecil, Howard, and Montgomery counties; Maryland Association of Counties; State Department of Assessments and Taxation; Comptroller’s Office; Judiciary (Administrative Office of the Courts); Department of Legislative Services

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