

Department of Legislative Services
 Maryland General Assembly
 2019 Session

FISCAL AND POLICY NOTE
 Third Reader

House Bill 1405

(Chair, Howard County Delegation)

Ways and Means

Budget and Taxation

Howard County - Transfer Tax - Collection by Director of Finance
 Ho. Co. 30-19

This bill requires the Howard County Finance Director to collect the local transfer tax. Under current law, the local transfer tax in Howard County is collected by the clerk of the circuit court and remitted to the Howard County Finance Department. **The bill takes effect July 1, 2019.**

Fiscal Summary

State Effect: General fund revenues decrease by approximately \$1.5 million annually beginning in FY 2020. Expenditures are not affected.

(\$ in millions)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
GF Revenue	(\$1.5)	(\$1.5)	(\$1.5)	(\$1.5)	(\$1.5)
Expenditure	0	0	0	0	0
Net Effect	(\$1.5)	(\$1.5)	(\$1.5)	(\$1.5)	(\$1.5)

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

Local Effect: Howard County transfer tax revenues increase by approximately \$1.5 million annually beginning in FY 2020. Expenditures are not directly affected.

Small Business Effect: None.

Analysis

Current Law: In Howard County, local transfer taxes are collected by the clerk of the circuit court and remitted to the Howard County Finance Department. The clerk of the circuit court is entitled to a 5% collection fee for collecting the local transfer tax. However,

local recordation taxes in Howard County are collected by the Howard County Finance Department, with the county retaining the full amount of revenue collected.

Background: The State, Baltimore City, and 18 counties currently impose a transfer tax. Calvert, Carroll, Frederick, Somerset, and Wicomico counties do not impose a local transfer tax. The Howard County transfer tax rate is 1.0%.

State Fiscal Effect: The clerk of the circuit court in Howard County is responsible for collecting the local transfer tax and retaining 5% of the revenues collected. Pursuant to the bill, beginning on July 1, 2019, the Howard County Finance Department will begin to collect the local transfer tax. As a result, general fund revenues will decrease by approximately \$1.5 million annually. This estimate is based on Howard County collecting \$29.5 million in local transfer tax revenue in fiscal 2019.

Local Fiscal Effect: Howard County transfer tax revenues increase by approximately \$1.5 million annually. Under current law, county transfer tax revenues are distributed as follows:

- 25% to the School Site Acquisition and Construction Fund.
- 25% to the Park Land Watershed Facilities Fund.
- 50% to the county general fund, which must be budgeted as follows: (1) 50% for the Howard County Agricultural Land Preservation Fund; (2) 25% for community improvement and housing programs for low-income individuals and families; and (3) 25% for capital improvements and other financial needs of fire companies.

As a result, revenues for the School Site Acquisition and Construction Fund and the Park Land Watershed Facilities Fund will each increase by \$375,000 beginning in fiscal 2020. General fund revenues will increase by \$750,000, of which \$375,000 will be allocated to the Howard County Agricultural Land Preservation Fund, \$187,500 will be allocated to community improvement and housing programs, and \$187,500 will be allocated for improvements at fire companies.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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Analysis by: Michael Sanelli

Direct Inquiries to:
(410) 946-5510
(301) 970-5510