

Department of Legislative Services
Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 172

(Chair, Environment and Transportation Committee)(By
Request - Departmental - Assessments and Taxation)

Environment and Transportation

Judicial Proceedings

Real Property - Ground Leases - Repeal of Registration Fees

This departmental bill repeals provisions related to fees for the registration of ground leases with the State Department of Assessments and Taxation (SDAT).

Fiscal Summary

State Effect: Special fund revenues decrease minimally beginning in FY 2021. Special fund expenditures are not affected, but the bill results in operational efficiencies.

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

Small Business Effect: SDAT has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

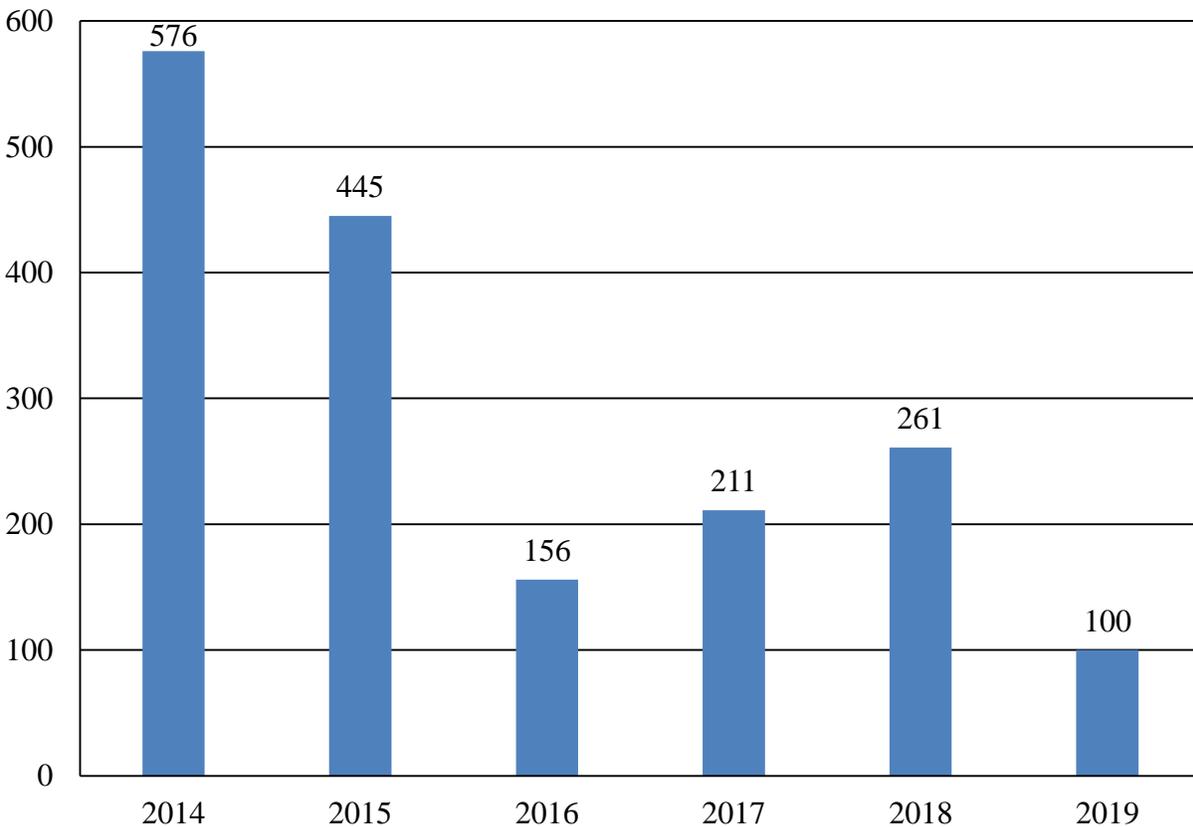
Analysis

Current Law/Background: Ground leases have been a form of property holding in Maryland since colonial times. A ground lease creates a leasehold estate in the grantee that is personal – not real – property. The grantor retains a reversion in the ground lease property and fee simple title to the land. Ground leases generally have a 99-year term and are renewable perpetually. Ground rent is paid to the grantor (the ground lease holder) for the use of the property for the term of the lease in annual or semiannual installments. Under a typical ground lease contract, the tenant agrees to pay all fees, taxes, and other costs associated with ownership of the property.

Registration of a Ground Lease

Chapter 290 of 2007 established the registry of ground leases maintained by SDAT. The registration fee is \$10 for the first ground lease and \$5 for each additional ground lease, per ground lease holder. SDAT advises that repealing the fees associated with registration allows for a more efficient use of resources by eliminating the need for staff to research whether a filer has previously registered and, therefore, is entitled to the reduced \$5 fee. Because ground lease registrations are becoming increasingly obsolete, operational efficiencies can be realized without materially affecting special fund revenues. According to SDAT and as shown in **Exhibit 1**, 576 ground leases were registered in fiscal 2014. In comparison, 100 ground leases were registered in fiscal 2019.

Exhibit 1
Ground Lease Registrations
Fiscal 2014-2019



Source: State Department of Assessment and Taxation

State Revenues: Special fund revenues decrease minimally beginning in fiscal 2021 from the elimination of registration fees. The average amount of special fund revenues associated with ground lease registrations in fiscal 2018 and 2019 was \$1,078. Assuming that registration trend continues, special fund revenues decrease by similar amounts beginning in fiscal 2021.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

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

Fiscal Note History: First Reader - January 30, 2020
rh/jkb Third Reader - March 13, 2020
Revised - Amendment(s) - March 13, 2020

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: **Ground Leases – Registrations, Redemptions and Amendments – Fees**

BILL NUMBER: HB 172

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PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

X WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

___ WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

The proposed bill will result in an average loss of \$1,500 per Fiscal Year to the Department. Amending the statute to expand expedited service could increase the number of transactions and generate additional revenue.