

**Department of Legislative Services**  
Maryland General Assembly  
2020 Session

**FISCAL AND POLICY NOTE**  
**Third Reader**

House Bill 149

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

Environment and Transportation

Judicial Proceedings

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**Real Property - Ground Leases - Required Notifications - Private Transaction  
Redemptions**

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This departmental bill repeals a requirement for a ground lease holder to promptly notify the State Department of Assessments and Taxation (SDAT) of a change in the name or address of a leasehold tenant. The bill also authorizes a leasehold tenant or an interested party to submit documentation of the redemption of a ground lease to SDAT if specified conditions are met.

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**Fiscal Summary**

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

**Local Effect:** The bill does not materially impact local government finances or operations.

**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.

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**Analysis**

**Bill Summary:** A leasehold tenant or an interested party may submit documentation satisfactory to SDAT of the redemption of a ground lease if (1) the ground lease is redeemed in a private transaction between the ground lease holder and the leasehold tenant and (2) the ground lease holder has failed to notify SDAT of the redemption, as required under current law. The documentation submitted to SDAT must include a certified copy of the ground lease redemption deed that has been filed in the land records of the appropriate

county. After accepting documentation, SDAT must update the online registry to indicate that a ground lease has been redeemed.

**Current Law:** After a ground lease is registered, the ground lease holder must promptly notify SDAT of (1) a change in the name or address of the ground lease holder, leasehold tenant, or person to whom the ground rent payment is sent; (2) a redemption of the ground lease; and (3) any other information SDAT requires.

SDAT must maintain an online registry of properties subject to ground leases.

**Background:** SDAT advises that it is already notified of changes to ground rent registrations pursuant to other statutory provisions. Accordingly, repealing the requirement for ground lease holders to notify SDAT of changes in the name or address of leasehold tenants eliminates redundancy. In addition, statutory provisions currently only require a ground lease holder to notify SDAT of changes to the registration. SDAT advises that occasionally the ground rent is purchased from a lease holder who fails to notify SDAT and cannot be reached. Allowing a leasehold tenant or an interested party to provide appropriate documentation relieves the purchaser of the burden of locating the seller of the ground rent.

### *Ground Leases – Generally*

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.

### *Remaining Ground Leases in Maryland*

As of January 2020, there are 92,419 ground rents registered with SDAT. According to the registry, ground rents are concentrated mostly in Baltimore City (62,223), with other ground rents located in Anne Arundel (3,795), Baltimore (25,939), Carroll (11),

Cecil (1), Charles (1), Harford (174), Howard (59), Montgomery (5), Prince George's (45), and Worcester (166) counties.

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### **Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** None.

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

**Fiscal Note History:** First Reader - January 31, 2020  
md/jkb Third Reader - March 14, 2020

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## ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: **Ground Leases – Notifications**

BILL NUMBER: HB 149

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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 legislation will not have an economic impact.