

Department of Legislative Services
Maryland General Assembly
2023 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 474 (Delegate Amprey, *et al.*)
Environment and Transportation and
Ways and Means

Sale of Residential Real Property - Offers to Purchase and Transfer Tax

This bill imposes two measures to limit the purchase of single-family residential real property by large real estate investment companies. *First*, a person who offers a single-family residential real property for sale to a third party, for the first 30 days, may only accept an offer to purchase the property from an individual, a community development organization, a nonprofit organization, or a real estate enterprise that owns an interest in less than 3% of all residential real property located within the county in which the property is located. This restriction does not apply to a sale in an action to foreclose a mortgage, a deed of trust, or any other lien. *Second*, the State transfer tax rate is increased to 15% for the sale of a single-family residential real property to a real estate enterprise that has ownership interest in more than 120 single-family residential real properties or ownership interest in residential real property in the State with a total assessed value exceeding \$12 million. **The bill takes effect July 1, 2023.**

Fiscal Summary

State Effect: State transfer tax revenues increase beginning in FY 2024 to the extent a higher transfer tax rate is applied to the purchase of single-family residential real properties. State expenditures are not affected.

Local Effect: None.

Small Business Effect: Potential meaningful. Small businesses involved in real estate sales, mortgage lending, and real estate titling may incur increased costs to comply with the requirements of the bill.

Analysis

Current Law: The State transfer tax rate is 0.5% of the consideration payable for an instrument of writing (one conveying title to, or a leasehold interest in, real property); however, in the case of a first-time Maryland homebuyer purchasing a principal residence, the transfer tax rate is 0.25%. State transfer tax revenues are paid to the Comptroller by the clerks of the circuit courts and the State Department of Assessments and Taxation (SDAT) and are used to fund several programs in the Department of Natural Resources, the Maryland Department of Agriculture, and the Maryland Department of Planning.

State Fiscal Effect: The bill is intended to limit the ability of large real estate investment companies from purchasing single-family residential real property within a jurisdiction. To the extent that the 15% transfer tax rate is applied to the purchase of a single-family residential real property, State transfer tax revenues increase beginning in fiscal 2024. According to SDAT, the median home price in fiscal 2022 totaled \$399,000 statewide. Under the bill, the State transfer tax rate imposed on certain large real estate investment companies would increase by approximately \$57,900 on each transaction based on the statewide median home price.

As a point of reference, the proposed State budget assumes \$399.6 million in total State transfer tax revenues in fiscal 2024.

Additional Information

Prior Introductions: Similar legislation has been introduced within the last three years. See HB 1345 of 2022.

Designated Cross File: None.

Information Source(s): Office of the Attorney General (Consumer Protection Division); Judiciary (Administrative Office of the Courts); Department of Housing and Community Development; State Department of Assessments and Taxation; Department of Legislative Services

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