

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1410
Ways and Means

(Delegate R. Long, *et al.*)

State Transfer Tax - Exemption for First-Time Home Buyers - Alterations

This bill provides an exemption from the State transfer tax for first-time home buyers. The property must be used as the buyer's principal residence to be eligible for the exemption. A first-time home buyer must meet specified requirements in order to receive the exemption. **The bill takes effect July 1, 2025.**

Fiscal Summary

State Effect: State transfer tax revenues decrease by approximately \$17.6 million annually beginning in FY 2026. Special fund expenditures decrease by a commensurate amount.

Local Effect: State funding for local land preservation programs decrease beginning in FY 2026, with local expenditures decreasing by a commensurate amount.

Small Business Effect: None.

Analysis

Current Law: Any person or business conveying title to real property by means of an instrument of writing recorded with the clerk of a circuit court (for any county) or filed with the State Department of Assessments and Taxation is required to pay the transfer tax. The tax base is the amount of consideration payable for the instrument of writing. The consideration includes the amount of any mortgage or deed of trust assumed by the grantee.

The State transfer tax rate is 0.5% of the consideration payable for an instrument of writing. However, in the case of a first-time Maryland homebuyer purchasing a principal residence, the transfer tax rate is 0.25% (which is paid by the seller).

The statutory allocation of State transfer tax revenue is shown below:

- 75.15% to Program Open Space (POS) within the Department of Natural Resources (DNR) for purposes under the program, including land acquisition;
- 1.0% to POS only for land acquisition;
- 17.05% to the Maryland Agricultural Land Preservation Fund within the Maryland Department of Agriculture;
- 5.0% to the Rural Legacy Program within DNR; and
- 1.8% to the Heritage Conservation Fund within DNR.

The POS allocations are subject to further allocation among the State and local components of the program and other purposes. The funds allocated to local governments assist the local governments in acquisition and development of land for recreation and open space purposes. Statute also authorizes a specified portion of the POS allocation to be transferred to the Maryland Heritage Areas Authority within the Maryland Department of Planning.

State Fiscal Effect: State transfer tax revenues decrease by approximately \$17.6 million annually, beginning in fiscal 2026. The estimate is based on the following facts and assumptions:

- an estimated 87,000 home sales in Maryland in fiscal 2024, which includes home sales with a mortgage (new and existing);
- first-time Maryland homebuyers make up 25% of home purchases of \$500,000 or less and then decrease as a percentage of total sales as home purchase prices increase; and
- State transfer tax collections totaled \$198.7 million in fiscal 2024.

Due to a reduction in State transfer tax revenues, State expenditures for various land preservation programs decrease by a commensurate amount.

It should be noted that transfer tax revenues are volatile and can vary significantly from year to year. **Exhibit 1** shows actual transfer tax collections for fiscal 2020 through 2024.

Exhibit 1
State Transfer Tax Revenues

<u>Fiscal Year</u>	<u>Revenue Collection</u>
2020	\$215,452,841
2021	269,339,777
2022	354,320,817
2023	226,960,934
2024	198,638,927

Source: Department of Legislative Services

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): State Department of Assessments and Taxation; Department of Legislative Services

Fiscal Note History: First Reader - February 24, 2025
km/hlb

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