

Department of Legislative Services
 Maryland General Assembly
 2026 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 1213 (Delegate Ruth, *et al.*)
 Ways and Means

State Transfer Tax - Rate - Alterations (Housing Affordability for Buyers and Sellers)

This bill alters the State transfer tax by establishing a graduated tax rate structure for residential and nonresidential transactions. **The bill takes effect July 1, 2026, and applies to instruments of writing recorded on or after July 1, 2026.**

Fiscal Summary

State Effect: State transfer tax revenues increase by \$80.2 million in FY 2027 and by \$97.5 million in FY 2031. Special fund expenditures increase by a commensurate amount. State expenditures for computer programming modifications increase by a minimal amount in FY 2027.

(\$ in millions)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
SF Revenue	\$80.2	\$86.1	\$90.7	\$94.6	\$97.5
GF Expenditure	\$0.0	\$0	\$0	\$0	\$0
SF Expenditure	\$80.2	\$86.1	\$90.7	\$94.6	\$97.5
Net Effect	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

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

Local Effect: State funding for local land preservation programs increase beginning in FY 2027, with local expenditures increasing by a commensurate amount.

Small Business Effect: Minimal.

Analysis

Bill Summary: The bill establishes the following State transfer tax rates for various property transaction types:

Single-family Residential Property

<u>Value of Consideration</u>	<u>Transfer Tax Rate</u>
Less than \$300,000	0.25%
\$300,000-\$399,999	0.375%
\$400,000-\$649,999	0.5%
\$650,000-\$799,999	0.75%
\$800,000-\$999,999	1.0%
\$1,000,000-\$2,999,999	1.25%
\$3,000,000 and over	1.5%

Deed-restricted Property

<u>Value of Consideration</u>	<u>Transfer Tax Rate</u>
Less than \$1,000,000	0.25%
\$1,000,000-\$9,999,999	0.375%
\$10,000,000 and over	0.5%

Multi-family Residential Property

<u>Value of Consideration</u>	<u>Transfer Tax Rate</u>
Less than \$1,000,000	0.25%
\$1,000,000-\$4,999,999	0.375%
\$5,000,000-\$9,999,999	0.5%
\$10,000,000-\$19,999,999	0.75%
\$20,000,000-\$39,999,999	1.0%
\$40,000,000 and over	1.25%

Nonresidential Property

<u>Value of Consideration</u>	<u>Transfer Tax Rate</u>
Less than \$5,000,000	0.375%
\$5,000,000-\$9,999,999	0.5%
\$10,000,000-\$19,999,999	1.0%
\$20,000,000-\$39,999,999	1.25%
\$40,000,000 and over	1.5%

Definitions

Deed-restricted property is multifamily residential property that is deed-restricted to include 15% of units that are affordable to households earning 80% or less of the area median income. Affordable is defined as housing costs that do not exceed 30% of a household's income.

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.

Chapter 604 (Budget Reconciliation and Financing Act of 2025)

Chapter 604 of 2025 redirects \$25.0 million in transfer tax revenue to the general fund, for fiscal 2026 through 2029, and requires the redirection to be accomplished by reducing funding for POS State land acquisition, the Rural Legacy Program, and MALPF in proportion to the amount of revenue each program is estimated to receive in each fiscal year under specified provisions of § 13-209 of the Tax-Property Article and § 5-903 of the Natural Resources Article.

State Fiscal Effect: The bill establishes a graduated State transfer tax rate structure, as described above, for various types of residential and nonresidential real property transactions. Based on the proposed transfer tax rate structure and the current revenue forecast, total State revenues from the transfer tax are projected to increase by \$80.2 million in fiscal 2027 and by \$97.5 million in fiscal 2031. The revenue increase for the various special funded programs will result in a commensurate increase in expenditures.

The revenue estimate is based on the following:

- 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;
- approximately 4,500 commercial real estate transactions in the period between November 1, 2022, and October 31, 2024;
- State transfer tax collections totaled \$220.0 million in fiscal 2025; and
- transfer tax revenues increase according to the December 2025 revenue forecast.

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 2025.

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
2025	220,039,501

Source: Department of Legislative Services

Administrative Costs

The Administrative Office of the Courts advises that under the bill the agency will have to make programming changes to the Simpli File system to accommodate the revised calculations for the graduated State transfer tax structure. It is estimated that these costs will total approximately \$13,200 in fiscal 2027.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See HB 342 of 2025 and HB 638 of 2024.

Designated Cross File: None.

Information Source(s): Maryland Association of Counties; Maryland Municipal League; Comptroller's Office; Judiciary (Administrative Office of the Courts); Maryland Department of Agriculture; Department of Natural Resources; Department of Legislative Services

Fiscal Note History: First Reader - March 2, 2026
jg/hlb

Analysis by: Michael Sanelli

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