

Department of Legislative Services
 Maryland General Assembly
 2026 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 1398
 Ways and Means

(Delegate Nawrocki, *et al.*)

State Transfer Tax - Temporary Suspension

This bill suspends the imposition of the State transfer tax on instruments of writing recorded or filed from July 1, 2026, through June 30, 2029. **The bill takes effect July 1, 2026.**

Fiscal Summary

State Effect: Special fund revenues decrease by \$220.4 million in FY 2027, \$238.6 million in FY 2028, and by \$252.6 million in FY 2029. General fund revenues decrease by \$25.0 million in each of those years. Special fund expenditures decrease by \$220.4 million in FY 2027, \$238.6 million in FY 2028, and by \$252.6 million in FY 2029. 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 |
|------------------|-----------|-----------|-----------|---------|---------|
| GF Revenue | (\$25.0) | (\$25.0) | (\$25.0) | \$0 | \$0 |
| SF Revenue | (\$220.4) | (\$238.6) | (\$252.6) | \$0 | \$0 |
| SF Expenditure | (\$220.4) | (\$238.6) | (\$252.6) | \$0 | \$0 |
| Net Effect | (\$25.0) | (\$25.0) | (\$25.0) | \$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 decrease in FY 2027, FY 2028, and FY 2029 with local expenditures decreasing by a commensurate amount.

Small Business Effect: Minimal.

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 (MALPF) 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. POS funds the following programs: the Maryland Heritage Areas Authority, POS Local, Maryland Park Service, Rural Legacy Program, POS Stateside, DNR Capital Development, Greenspace Equity Program, and a \$10 million direct grant to Baltimore City. The funds allocated to local governments assist the local governments in acquisition and development of land for recreation and open space purposes.

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 suspends the imposition of the State transfer tax for fiscal 2027 through 2029. As a result, total State transfer tax revenues decrease by

\$245.4 million in fiscal 2027, \$263.6 million in fiscal 2028, and by \$277.6 million in fiscal 2029. This estimate is based on the December 2025 revenue forecast.

Chapter 604 redirects \$25.0 million in transfer tax revenue to the general fund for fiscal 2026 through fiscal 2029 from several State land preservation programs. Therefore, the transfer tax suspension under the bill results in a special fund revenue decrease of \$220.4 million in fiscal 2027, \$238.6 million in fiscal 2028, and \$252.6 million in fiscal 2029 and general fund revenues decrease by \$25.0 million in each of those three fiscal years.

Special fund expenditures for land preservation programs decrease by \$220.4 million in fiscal 2027, \$238.6 million in fiscal 2028, and by \$252.6 million in fiscal 2029.

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

Additional Information

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

Designated Cross File: None.

Information Source(s): Maryland Association of Counties; Maryland Municipal League; Comptroller's Office; Judiciary (Administrative Office of the Courts); State Department of Assessments and Taxation; Department of Legislative Services

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jg/hlb

Analysis by: Michael Sanelli

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