

---

**To:** Members of The House Ways and Means Committee

**From:** William A. O’Connell, Real Property Section Legislative Chair

**Date:** March 2, 2020

**Subject:** HB 1628 – Sales and Use Tax – Rate Reduction and Services

**Position:** Oppose

---

The Maryland State Bar Association (MSBA) Real Property Section **opposes House Bill 1628 – Sales and Use Tax – Rate Reduction and Services**. The bill seeks to extend the scope of Maryland’s Sales and Use Tax to apply to many services that have, historically, never been subject to such tax. We join in the opposition filed by the MSBA’s Tax Council.

Maryland already has some of the highest closing costs in the nation. One study shows Maryland as the third highest. This is mostly due to Maryland’s Recordation and Transfer tax scheme applicable to real estate transactions. Consumers in Maryland must pay a combination of State Transfer Taxes, County Transfer Taxes and Maryland Recordation Taxes in order to effect and record their purchase or refinance transactions. Adding additional taxes for services provided as part of the closing process would only serve to make it more difficult for first time homebuyers to achieve the American dream.

Real estate sales, financing, title insurance and settlements, are service industries. Enacting HB 1628 will apply the tax to virtually every step taken in the overall home sale and financing process: the title searcher’s service in preparing a title abstract, the title insurer’s services provided to its agents; the closing services provided by the title agents; the recording services to have documents placed on record. If buyer or seller elect to be represented by counsel, attorneys’ services would also be taxed. Each of these will not only directly impact consumers through the tax, itself, but the administrative costs of collecting and remitting the tax will add yet another layer of costs, ultimately passed onto the consumer. Every dollar of additional tax or fee on the purchase of real estate makes home buying that much more difficult for the average Maryland Resident.

The changes proposed warrant further study due to their potential social, economic and regulatory impact. In the past, this body has established commissions to study issues far less sweeping and life changing than the measures proposed under this bill. For these reasons we **oppose HB1628** and request that you issue an **unfavorable** report.



520 West Fayette St., Baltimore, MD 21201  
410-685-7878 | 800-492-1964  
fax 410-685-1016 | tdd 410-539-3186  
msba.org

Should you have any questions, please contact The MSBA's Legislative Office at (410)-269-6464 / (410)-685-7878 ext: 3066 or at [Richard@MSBA.org](mailto:Richard@MSBA.org) and [Parker@MSBA.org](mailto:Parker@MSBA.org)

---

Dana O. Williams  
President

Hon. Mark F. Scurti  
President-Elect

Delegate Erik L. Barron  
Secretary

M. Natalie McSherry  
Treasurer

Victor L. Velazquez  
Executive Director