



House Bill 1628 – Sales and Use Tax – Rate Reduction and Services

Position: Oppose

Sales and Use Taxes hurts First-Time buyers, low to middle-income buyers, and renters the hardest

- A sales tax on services will hit low income and working families the hardest. The people who can least afford it end up paying more.
- Sales and use taxes are particularly regressive in a home transaction because sellers and buyers will pay multiple sales and use taxes. In addition to taxes on real estate compensation, homeowners and buyers will pay the sales tax on the titling services, mortgage lender, home inspector, closing attorney, appraiser, surveyor and other services attached to the transaction.
- First-time buyers, and low to middle-income buyers have the hardest time saving to pay the cash requirements of closing costs and downpayments. A sales and use tax directly increases the amount of cash needed at closing.
- Property management services will increase the amount of money that renters of all income levels pay.

Higher cash requirements at closing delay homeownership and wealth building for low to middle-income families

- The Maryland homeownership rate has declined from a high of 72% to 66.6% in 2018.
- Increasing barriers to homeownership prevent many low and middle-income families from generating measurable wealth. Many homeowners do not have enough money to invest in the stock market or other investments, and plan on the equity and wealth in their house to help them meet future needs for funding college education and retirement.

Maryland homeowners and buyers are already heavily taxed

- Maryland homeowners already pay property taxes, property surtaxes like the annual bay restoration fee, and stormwater fees.
- All Marylanders pay at least three taxes on the transaction: a state transfer tax; a recordation tax; and a recordation fee. Most Marylander's also pay a local transfer tax and some pay an agricultural transfer tax on top of the other two transfer taxes.
- Marylanders purchasing new homes may pay impact or excise taxes on top of the other transactional taxes listed above.
- All total, most Marylanders will pay 8 taxes related to their home: a state transfer tax; a local transfer tax; a recordation tax; a recording fee; a state property tax; a county property tax; Bay restoration fund; and a stormwater fee.

Maryland real estate contributes hundreds of millions of new dollars to schools every year

- Maryland real estate, through increasing property values/assessments, contributes hundreds of millions of new dollars to Maryland school budgets every year.
- Between FY 2010 and FY 2018, total real estate related tax/fee revenues to local governments rose 30% -- over 3.4% per year.
- Maryland real estate's fiscal contributions to local governments total \$9.4 billion in FY 2018 more than the total local appropriations for Maryland public schools (just under \$8 billion).
- In fact, there are only two jurisdictions in which real estate-related revenue do not cover more than 100% of local government's contribution to the school system: Montgomery (87%) and Frederick (91%).
- In FY 2019, 19 of 24 Maryland jurisdictions set their constant yield tax rates above the constant yield rate increasing the amount of property taxes paid by homeowners.

The real estate industry accounts for 58% of local county government revenues and by extension a large part of school funding already. As long as the market remains healthy and real estate assessments grow, local government and schools will have significant new revenue. But real estate does not need a ninth tax, and for that reason, the Maryland REALTORS® recommend an unfavorable report.

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