House Bill 1090 – Department of Housing and Community Development – Partnership Rental Housing Program - Alterations

Position: Oppose

The Maryland REALTORS® support the intent of this legislation to create more mixed-use housing and "middle-housing" choices for Marylanders. However, we are opposed to the funding source for the bill.

In a 2020 study, Freddie Mac listed Maryland as the state with the 11th highest housing deficit in the country. The housing deficit cited in the study referred to both residential real estate for purchase and rental. This is reflected in Marylander's attitudes on housing in Maryland too. In a recent poll, a majority of state residents agreed that there is not enough affordable housing to meet current needs.

Other statistics point to challenges in housing supply. Our average and median housing prices have increased nearly 30% in the last five years. Over 52% (the highest percentage in the last 100 years) of adult children are living with their parents. And the percentage of first-time homebuyers remains at thirty-year lows for the last 4 years.

We believe the legislation's focus to expand the Partnership Rental Housing Program is important and will ultimately address the housing undersupply in Maryland that is the root of so many problems facing first-time buyers and renters. By opening up more affordable rental property, more residents will be able to save more quickly for downpayments to eventually purchase real estate. By providing more affordable rental housing, tenants will have more housing options and less competition from other renters when seeking housing.

However, HB 1090, as drafted, would increase the transfer tax on homes sold at more than $1.5 million while lowering the transfer tax for property under $150,000. All transactions would now also pay a $50 recordation surcharge. Real estate is not an undertaxed asset. It is already subject to 8 taxes: 2 transfer taxes (state and local); a recordation tax; a recording fee; 2 property taxes; a bay restoration property surtax; and a stormwater fee.

In addition to the numerous taxes on real estate, real estate is already contributing over $200 million of new revenue each year to the counties because of increasing property assessments and the fact that most counties do not hold the property tax rate to the constant yield tax rate. There is already more revenue raised by real estate to local and state government each year through the tax on newly assessed value than what is raised by increasing the taxes in this bill. Rather than increasing the taxes specified in HB 1149,

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the state and local governments should prioritize the new revenue received each year through increasing property assessments.

The Maryland REALTORS® is continuing to discuss alternative revenues with the Sponsor to use rather than increasing rates or creating additional real estate taxes.

For these reasons, the Maryland REALTORS® recommends an unfavorable report.

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