



## House Bill 852 – Property Tax - Tax Sales - Homeowner Protection Program

### Position – Oppose

While Maryland REALTORS® supports the concept of establishing the Homeowner Protection Program in the Department of Assessments and Taxation to divert vulnerable homeowners from the private tax lien sale process into another program to enable them to stay in their homes, Maryland REALTORS® opposes HB 852 currently as written due to the transfer tax funding source for the program.

The Housing Protection Program is a compassionate approach to help vulnerable homeowners. However, if funding this program is important for everyone in the state, then not just a select few who are purchasing or selling property should carry the cost -- it should be more broad-based.

Real estate transfer taxes and fees are a major burden to real property buyers and sellers, particularly at time of closing – *even for a \$1 million dollar property*. These taxes and fees have a negative impact on housing costs and economic development and are a particularly poor revenue source for local governments because of their extreme volatility. If the economy and the real estate market are weak, revenues are low. Moreover, depressed revenues occur just at the time when local government most needs a stable revenue base to fund increased demand for services – *especially for those in need of staying in their home*.

Maryland has the 5<sup>th</sup> highest closing costs in the country. Closing costs nationwide average \$5,749 but in Maryland, a borrower pays average mortgage closing costs, including taxes, of \$11,876. (*ClosingCorp, 2019, residential sales.*)

Currently, Maryland has an average 8% increase again this year in assessments. Given the increase in assessments, the state and counties will be receiving even more revenues moving forward. Moreover, the *Constant Yield Tax Rate* which seeks to keep property tax revenues *at a constant level from one year to the next* (assuring a “constant yield”) but the constant yield rates are hardly ever adjusted to keep a flat rate of revenue return. It may make sense to dedicate a portion of revenue increase above the constant yield to programs such as this.

The two charts below demonstrate the “Constant Yield” tax rate difference (Exhibit A3.) amongst counties and the revenues they would yield -- \$94.5 million (Exhibit A4).

**Exhibit A3. Property Tax Rates Compared to Constant Yield Rate by County, FY2019**

County	FY2019 Actual Rate	Constant Yield Rate	Difference
Allegany	\$0.980	\$0.970	\$0.010
Anne Arundel	\$0.902	\$0.893	\$0.009
Baltimore City	\$2.248	\$2.234	\$0.014
Baltimore	\$1.100	\$1.079	\$0.021
Calvert	\$0.937	\$0.943	-\$0.006
Caroline	\$0.980	\$0.970	\$0.010
Carroll	\$1.018	\$1.000	\$0.018
Cecil	\$1.041	\$1.030	\$0.012
Charles*	\$1.205	\$1.182	\$0.023
Dorchester	\$1.000	\$0.995	\$0.005
Frederick	\$1.060	\$1.035	\$0.025
Garrett	\$0.990	\$0.990	\$0.000
Harford	\$1.042	\$1.034	\$0.008
Howard*	\$1.190	\$1.171	\$0.019
Kent	\$1.022	\$1.022	\$0.000
Montgomery*	\$0.993	\$1.002	-\$0.009
Prince George’s*	\$1.374	\$1.337	\$0.037
Queen Anne’s	\$0.847	\$0.834	\$0.013
St. Mary’s	\$0.848	\$0.844	\$0.003
Somerset	\$1.000	\$1.006	-\$0.006
Talbot	\$0.606	\$0.574	\$0.032
Washington	\$0.948	\$0.941	\$0.007
Wicomico	\$0.940	\$0.924	\$0.016
Worcester	\$0.835	\$0.827	\$0.008

Source: Maryland Department of Legislative Services (DLS). “Overview of Maryland Local Governments, Finances and Demographic Information”. January 2019. Notes: \*Includes Special Property Tax Rates.



**Exhibit A4. Maryland Counties' Real & Personal Property Tax Revenues: Yield/Loss from Property Tax Rates Different from Constant Yield Tax Rates, FY2019**

County	Estimated Revenue Yield	Estimated Revenue Loss	Per Capita Yield	Per Capita Loss
Allegany	\$170,000	\$0	\$2.37	\$0.00
Anne Arundel	\$6,482,000	\$0	\$11.31	\$0.00
Baltimore City	\$5,262,000	\$0	\$8.60	\$0.00
Baltimore	\$17,469,000	\$0	\$20.98	\$0.00
Calvert	\$0	-\$743,000	\$0.00	-\$8.12
Caroline	\$242,000	\$0	\$7.29	\$0.00
Carroll	\$3,521,000	\$0	\$20.99	\$0.00
Cecil	\$1,102,000	\$0	\$10.73	\$0.00
Charles*	\$4,002,000	\$0	\$25.06	\$0.00
Dorchester	\$136,000	\$0	\$4.23	\$0.00
Frederick	\$7,339,000	\$0	\$29.12	\$0.00
Garrett	\$0	\$0	\$0.00	\$0.00
Harford	\$2,093,000	\$0	\$8.30	\$0.00
Howard*	\$9,590,000	\$0	\$29.86	\$0.00
Kent	\$0	-\$3,000	\$0.00	-\$0.15
Montgomery*	\$0	-\$17,585,000	\$0.00	-\$16.61
Prince George's*	\$30,148,000	\$0	\$33.03	\$0.00
Queen Anne's	\$1,112,000	\$0	\$22.34	\$0.00
St. Mary's	\$427,000	\$0	\$3.79	\$0.00
Somerset	\$0	-\$82,000	\$0.00	-\$3.16
Talbot	\$2,333,000	\$0	\$62.88	\$0.00
Washington	\$871,000	\$0	\$5.78	\$0.00
Wicomico	\$939,000	\$0	\$9.12	\$0.00
Worcester	\$1,213,000	\$0	\$23.47	\$0.00
Total	\$94,451,000	-\$18,413,000	\$15.61	-\$3.04

Source: Maryland Department of Legislative Services (DLS). "Overview of Maryland Local Governments, Finances and Demographic Information". January 2019. Notes: \*Includes Special Property Tax Rates.

Again, Maryland REALTORS® appreciates the intent of the Homeownership Protection Program, however, must oppose HB 852 given its real-estate specific funding stream. Real estate pays more than its fair share in Maryland and a program such as this to benefit any homeowner in Maryland should be broad based.

Maryland REALTORS® respectfully request an unfavorable report of HB 852.

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