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To: Members of the House Ways and Means and Environment and Transportation Committees
From: MLTA Legislative Committee
Date: March 4, 2022
Subject: **HB 1345** – Sales of Residential Real Property – Offers to Purchase and Transfer Tax
Position: **Unfavorable**

The Maryland Land Title Association (MLTA) opposes unless amended House Bill 1345 – Sales Residential Real Property – Offers to Purchase and Transfer Tax. The bill seeks to make the acquisition of large portfolios of real estate more difficult and more expensive for buyers, but it inadvertently creates huge burdens and risks for the title insurance industry in the form of recordation tax collection which would be nearly impossible to properly verify.

Title insurance for the Buyer and the Buyer's lender insures the recordation of the Deed and Deed of Trust in the Land Records and a key component to that recordation is the proper calculation and collection of recordation tax at the closing. The title company does not have access to detailed accounting records that would be required in order to determine all subsidiaries of a parent organization. In addition, even if the title company had the entire corporate family tree, it would need to run separate title searches in all 24 counties for all parent and subsidiary entities in order to verify all of those properties owned.

Then the title company would need to do an analysis of the values of each property in order to determine if the \$12,000,000.00 threshold had been met (assuming there were less than 120 properties). The sheer depth of research required would force title companies charge hundred, and possibly thousands of dollars in title search fees to cover the costs of verifying whether or not this recordation tax would apply.

In addition, the time required to research this issue would be a defacto 30 day delay on all contracts in which the Buyer is an entity, because there is no way of knowing the total value of all residential real estate within a particular county in addition to calculating the total value of all the real estate owned by the potential buyer. It would completely upend the fix and flip and rental real estate markets, even though the vast majority of these buyers are small business owners. Furthermore, the bill is not clear on the consequences of a violation of this statute, is the contract with an entity void, or voidable?

For these reasons, the MLTA **opposes HB 1345**.