



## **House Bill 1345 – Sales of Residential Real Property – Offers to Purchase and Transfer Tax**

### **Position: Oppose**

Maryland REALTORS® has concerns over the uptick in institutional real estate investors in the marketplace and the impact that has on individual purchasers. However, several of the provisions of HB 1345 would also have negative impacts on the buying and selling of real estate.

In new Section 10-308 (C), sellers of real property are prohibited from accepting offers from certain real estate enterprises. However, we are unclear as to how a seller or their agent would be able to determine the percentage of property ownership a real estate investor holds in a particular county. Tracing the members of an LLC, or in many cases, multiple LLCs which may have overlapping members, is beyond the reach of a typical home seller.

The 30-day lockout provision in the bill could also be problematic in future real estate markets. Homes that are in need of serious rehabilitation may not qualify for financing most used by individual purchasers, for instance. Should we return to markets that favor buyers, an offer from an institutional investor may be the best – or only – option a seller has. Most often lockout periods are found in government-owned properties, and for much shorter timelines of 7-10 days.

Finally, the bill adds Section 13-203 (C), which increases the real estate transfer tax to 15% on properties sold to large real estate enterprises. This would also require title companies or other settlement providers to determine the ownership percentages as outlined above. More importantly, real estate transfer taxes are traditionally split between buyer and seller unless otherwise altered in the contract. Instead of the current 0.25% charged to the seller, this bill would require payment of 7.5% or more of the sellers proceeds in transfer taxes. This would in most cases double the closing costs of sellers who very much need the equity from their property or could be facing financial distress.

While we support efforts to help individual buyers in this competitive real estate market, REALTORS® must request an unfavorable report on House Bill 1345.

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