



# FREDERICK COUNTY GOVERNMENT

Jessica Fitzwater  
County Executive

**DIVISION OF FINANCE**  
Department of Treasury

Erin White, CPA, Division Director  
Diane E. Fox, CPA, Director

## **SENATE BILL 476 – RECORDATION TAX – INDEMNITY MORTGAGE EXEMPTION – THRESHOLD AMOUNT**

**DATE:** February 21, 2023

**COMMITTEE:** Budget and Taxation

**POSITION:** Opposed

**FROM:** Diane Fox, Director of Treasury, Finance, Frederick County Government

Thank you for your consideration of Senate Bill 476 – Recordation Tax – Indemnity Mortgage Exemption – Threshold Amount. As the Director of Treasury in the Finance Division in Frederick County, I urge the committee to give Senate Bill 476 an unfavorable report.

The purpose of the bill is to alter the threshold amount for certain indemnity mortgage transactions by increasing the threshold from \$3,000,000 to \$15,000,000. This bill will provide exemptions to previously taxed documents and will have an unfair and broad negative revenue impact of approximately \$1,000,000 to \$3,000,000 annually in Frederick County.

The indemnity mortgage is simply a loophole used to avoid recordation tax by borrowing money through a third party, typically a pop-up LLC that is formed just for this purpose. This loophole was closed by the 2012 General Assembly. At the same time, the State required counties to begin paying the cost of teacher pensions, and the revenue generated from removing the IDOT exemption was part of the offset that helped the counties fund the cost. Reversing that action while not adjusting local government expenditures will create significant budget challenges for counties.

Thank you for your consideration of Senate Bill 476. On behalf of Frederick County Government, I urge an unfavorable report.

Diane Fox, CPA  
Director of Treasury  
Frederick County, Maryland  
30 N. Market Street  
Frederick, MD 21701  
301-600-1114  
dfox@frederickcountymd.gov