



House Bill 474 – Sales of Residential Real Property – Offers to Purchase and Transfer Tax

Position: Oppose

While Maryland REALTORS® has concerns over the uptick in institutional real estate investors in the marketplace, several of the provisions of HB 474 would have negative impacts on the buying and selling of real estate and on home sellers.

REALTORS® do not believe that a home seller, agent, or title company will be able to determine whether a purchaser is or is not an institutional investor during the short window of a typical sales transaction. For instance, an institutional investor in Atlanta held several thousand properties under 80 different LLCs. Tracing the members of multiple LLCs which may have overlapping members is beyond the reach of those individuals.

The 30-day lockout and transfer tax provisions in the bill are also problematic for current Maryland homeowners. An offer from an institutional investor may be the best – or only – option a seller receives, depending on current market conditions. Also, because transfer taxes are typically split between buyers and sellers, Maryland residents would also be subject to the financial penalties in this bill.

An alternative to this approach has been introduced at the federal level. **S. 5151, the “End Hedge Fund Control of American Homes Act,”** would establish a uniform cap on the number of properties that hedge funds and private equity investors may own without incurring annual tax penalties. Any tax penalties collected would be used to provide down-payment assistance to first-time homebuyers.

While the specifics of the bill may be debated, Maryland REALTORS® sees this as a far better approach. It takes individual sellers, agents, and title companies out of the process for determining who is and who is not an institutional investor in a short period of time. Instead, that responsibility is placed with the government on an annualized basis. In addition, any financial penalties are levied solely on the investor, without impacting the pace of real estate sales or the proceeds a seller receives.

REALTORS® support efforts to level the playing field between individual and institutional buyers in the market, but must oppose the approach outlined in HB 474. We look forward to continued discussions with the sponsors on possible amendments to the bill as introduced.

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