



Testimony for SB476 Recordation Tax – Indemnity Mortgage Exemption Threshold Amount

To: House Ways & Means Committee

From: Howard Perlow

Date: March 28, 2023

Position: Favorable

Chair Atterbeary and Members of the House Ways & Means Committee:

My name is Howard Perlow and I am the Executive Vice President of Residential Title & Escrow Company located in Owings Mills, MD, and I thank you for the opportunity to provide this testimony in support of Senate Bill 476, which was cross filed with HB 371.

I have been in the Real Estate industry in Maryland for almost 45 years, specifically in the settlement and title business for that time. Prior to my entry in this industry 45 years ago banks, small businesses, small home builders and real estate developers were allowed to use a type of mortgage to borrow from Savings & Loan, Banks and Private Investors using a mortgage known as an Indemnity Mortgage and this type of mortgage was not taxable by the State of Maryland with a Mortgage Recordation Tax.

During the first special session of 2012 Governor O'Malley, looking for a mechanism to raise revenue to help fund \$37million additional revenue for our State and County's Teacher Pension funds, removed this exemption except for projects up to \$1million. In 2013 the Legislature agreed to allow Indemnity Mortgages up to \$3million.

We are here today to ask the Committee to support SB 476 as it was amended in the Senate. The bill as amended is the product of an agreement with the Maryland Association of Counties (MACo) to increase the cap on this type of mortgage to a maximum of \$12.5 million with a delayed effective date of July 1, 2024 to allow time for the counties to implement the change. Of fifty states in the Union only 7 charge a mortgage tax, and along the East Coast of America – Florida, Georgia, North Carolina, South Carolina, Delaware, Pennsylvania, New Jersey, West Virginia and Ohio charge no tax to record a Mortgage or Deed of Trust. Our neighboring State of Virginia has a very low mortgage tax of 1/10th of 1%.

When the last increase for the use of Indemnity Mortgage was passed in 2013, the amount of revenue that all of the counties in Maryland received from the recordation tax was approximately \$237million in FY2012. In fiscal 2019 through 2021 the revenue generated from all counties in Maryland was between \$520million and \$637million.

The legislation will help businesses to grow. It will also help with the affordable housing problem in the State.

If such a mortgage is used to construct housing, or any commercial type of real estate, the builder has already provided the county where the property is located with: permit fees, impact fees, plan review fees, ordering permits...and the ultimate very substantial increase of the assessed value of the property, which of course provides the county substantial property tax revenue. All loans over \$12.5million will still be taxed at the current recordation tax rate for that county, for the entire loan amount, which will continue to provide substantial tax revenue for any product over the \$12.5million threshold.

We urge a favorable report for SB 476 as amended.