

Residential Title & Escrow Company

House Bill 371

Position: Favorable

Dear Chair Atterbeary and the Members of the House Ways & Means Committee,

Residential Title & Escrow Company is a Maryland based business providing title services in multiple states. We appreciate the opportunity to provide testimony in support of House Bill 371. This legislation seeks to modify the tax exemption threshold for indemnity deeds of trust from the current \$3,000,000 to the proposed \$15,000,000.

During the 2012 special session, the Maryland General Assembly passed SB 1302 which, in part, removed the exemption of the recordation tax on indemnity deeds of trust of \$1,000,000 or more in the same manner as if the guarantor were primarily liable for the guaranteed loan. The goal of that change was to fund the shortfall in teacher's pensions by raising the approximately \$35.7 million in fiscal 2013. During the 2013 legislative session, the legislature passed sb 436 to increase the exemption for recordation taxes on indemnity deeds of trust on projects less than \$3m.

The increase in the exemption threshold to \$15m is necessary to reflect the significant increase in revenue generated by recordation taxes since 2013. The fiscal note in 2013 showed that the local recordation tax collection in FY2012 was \$237,057,626. It estimated that the local recordation tax in FY2013 would be \$247,963,112. Most recently the recordation taxes collected by the counties for FY2019, FY2020, and FY2021, included herein, shows a significant increase in revenue.

The table below provides shows how Maryland compares to surrounding States:

State	IDOT Recordation Tax
Virginia	.01 tax rate
Pennsylvania	None
Delaware	None
New Jersey	None
Georgia	None
North Carolina	None
South Carolina	None
Florida	None
Ohio	None

As you can see, the recordation taxes collected have increased significantly since 2013. An increase in the threshold amount is long overdue and would help small to medium sized business and affordable housing builders to obtain bank funding for construction and renovation projects.

We urge a favorable report for HB 371.

Recordation Tax Revenue Trend for Fiscal 2019-2021

County	FY 2019	FY 2020	FY 2021	FY 2019-2020		FY 2020-2021		Average Annual Difference
				\$ Difference	% Difference	\$ Difference	% Difference	
Allegany	\$1,212,496	\$1,535,095	\$1,723,828	\$322,599	26.6%	\$188,733	12.3%	19.2%
Anne Arundel	54,017,167	53,676,514	71,031,200	-340,653	-0.6%	17,354,686	32.3%	14.7%
Baltimore City	45,633,657	38,165,405	44,645,148	-7,468,252	-16.4%	6,479,743	17.0%	-1.1%
Baltimore	35,847,700	35,803,384	45,050,990	-44,316	-0.1%	9,247,606	25.8%	12.1%
Calvert	9,014,787	8,623,256	12,127,448	-391,531	-4.3%	3,504,192	40.6%	16.0%
Caroline	1,792,365	2,075,046	2,637,283	282,681	15.8%	562,237	27.1%	21.3%
Carroll	13,703,195	14,840,846	19,360,209	1,137,651	8.3%	4,519,363	30.5%	18.9%
Cecil	6,602,464	8,102,701	9,200,584	1,500,237	22.7%	1,097,883	13.5%	18.0%
Charles	15,533,527	19,138,755	22,225,791	3,605,228	23.2%	3,087,036	16.1%	19.6%
Dorchester ¹	1,965,768	1,927,643	1,914,632	-38,125	-1.9%	-13,011	-0.7%	-1.3%
Frederick	41,891,166	43,363,023	66,359,692	1,471,857	3.5%	22,996,669	53.0%	25.9%
Garrett	1,887,652	2,244,453	4,060,441	356,801	18.9%	1,815,988	80.9%	46.7%
Harford	15,552,642	18,477,288	22,003,338	2,924,646	18.8%	3,526,050	19.1%	18.9%
Howard	21,142,956	23,266,982	28,264,600	2,124,026	10.0%	4,997,618	21.5%	15.6%
Kent	1,107,219	1,048,277	2,071,995	-58,942	-5.3%	1,023,718	97.7%	36.8%
Montgomery	164,543,742	160,122,999	162,182,559	-4,420,743	-2.7%	2,059,560	1.3%	-0.7%
Prince George's	51,315,782	50,749,806	60,279,962	-565,976	-1.1%	9,530,156	18.8%	8.4%
Queen Anne's	5,806,760	6,339,183	10,974,410	532,423	9.2%	4,635,227	73.1%	37.5%
St. Mary's	6,387,490	6,751,304	9,787,026	363,814	5.7%	3,035,722	45.0%	23.8%
Somerset	457,931	699,895	873,761	241,964	52.8%	173,866	24.8%	38.1%
Talbot	6,418,224	6,803,185	12,315,972	384,961	6.0%	5,512,787	81.0%	38.5%
Washington	7,417,514	6,500,000	11,001,009	-917,514	-12.4%	4,501,009	69.2%	21.8%
Wicomico	4,220,844	3,825,971	5,106,766	-394,873	-9.4%	1,280,795	33.5%	10.0%
Worcester	7,116,381	7,115,438	12,222,035	-943	0.0%	5,106,597	71.8%	31.1%
Total	\$520,589,429	\$521,196,449	\$637,420,679	\$607,020	0.1%	\$116,224,230	22.3%	10.7%

Note: ¹The revenue amount for Dorchester County in Fiscal 2021 is an estimate.

Source: Department of Legislative Services, County Budgets