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Testimony on HB 638 – State Transfer Tax – Rates and Distribution of Revenues

House Ways and Means Committee

February 12, 2024

Position: Unfavorable

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

Partners for Open Space is the statewide group that advocates for the preservation of Maryland **land**, our farms, forests, parks and playgrounds. Since 1969 Maryland has been a national leader in **land** preservation because the legislature at that time had the foresight to establish a dedicated revenue source. The transfer tax, a small tax on real estate transactions funds the purchase and development of state and local **parkland**, the protection of **farmland** through voluntary conservation easements, the purchase and protection of valuable ecological **land**, supports Heritage Areas as they tell the story of the **land**, and works to provide young farmers with access to **land**.

We appreciate Delegate Ruth's efforts to potentially increase the funding available to the programs but must oppose the legislation for the following reasons.

- The ½% transfer tax was established for **land** preservation. Maryland makes a promise to home buyers that these funds will be used to provide the open space amenities that make Maryland special. Using the transfer tax proceeds for the general fund negates that message and leaves the program open to additional reallocations in the future.
- The tax lays out 10 different tax increments (5 for residential purchases and 5 for commercial/industrial purchases). To determine the impact of the proposed changes we would need at least 10 years of data to account for variations in the real estate market. Absent a detailed fiscal analysis, it is impossible to predict what the impact of the changes would be.

The transfer tax established by the General Assembly in 1969 as a dedicated funding source for **land** conservation was the first in the nation. Many states look to Maryland as an example to emulate. The structure of the original transfer tax has remained a constant funding source that has benefited all the citizens of Maryland. The programs funded from this revenue continue to have strong support across the state, with more landowner interest than funds available every year.

We thank you for your consideration and urge you to reject the proposed changes to the transfer tax, which would dilute the purpose of the tax with unknown long-term impacts on the available revenue.