



THE MARYLAND HOUSE OF DELEGATES  
ANNAPOLIS, MARYLAND 21401

SPONSOR TESTIMONY IN SUPPORT OF HB638  
(STATE TRANSFER TAX – RATES AND DISTRIBUTION OF REVENUE – ALTERATIONS)

Delegate Sheila Ruth  
February 13, 2024

Every real property transfer in Maryland is subject to a transfer tax. In most cases, the rate of tax is a flat .5% of the total consideration, generally split between the buyer and seller. For first time homebuyers, there is a special rate of .25% paid by the seller only. Most of the revenue generated by the transfer tax goes to fund various conservation programs, including Program Open Space, the Agricultural Land Preservation Fund, the Rural Legacy Program, and the Heritage Conservation Fund.

Flat taxes are inherently regressive, and low to moderate income families bear the heaviest burden because a flat tax works out to be a larger share of their income than it is for wealthier families. HB638 takes a fresh look at the transfer tax, creating progressive tax rate tiers based on the cost of the real estate. These progressive tiers will help reduce wealth inequality, and will also help address the racial wealth gap because historic and modern systemic discrimination and bias in housing are among the biggest contributors to that gap. This progressive transfer tax will also help ensure the wealthy pay their fair share to fund the state services that Marylanders rely on.

HB638 reduces the tax rate for residential real estate purchases under \$400 thousand. Under this bill, working families purchasing homes under \$400 thousand will actually pay less in transfer tax, allowing them to stretch their real estate dollars a little further or keep some money in their pockets. Real estate transactions between \$400 thousand and \$500 thousand will be taxed at the current rate. Families purchasing homes above \$500 thousand will pay a little more, but it's only as we approach million dollar homes that we start to see a larger amount.

See the table below for how the new rates compare in actual dollars to the old rate. Keep in mind that for someone who can afford a million dollar mansion, \$12,500 is likely a much lower share of their overall wealth than \$750 is to someone purchasing a home under \$300 thousand.

Seven states currently have progressive property or transfer taxes: Connecticut, Hawaii, New Jersey, New York, Rhode Island, Vermont, and Washington. Some of these states have top rates considerably higher than the top rate in this bill. 16 cities and counties also have progressive property taxes, including the District of Columbia and Los Angeles. In Maryland, Anne Arundel County has two tiers for its local transfer tax, and Montgomery County has a higher recordation tax for properties over \$500 thousand.

In addition to creating a fairer transfer tax system, the rates in HB638 will also generate additional revenue that can be used to help fund important state programs and services that Marylanders rely on. With a looming structural deficit, we are faced with the difficult decisions of what to cut, knowing that every budget cut will hurt someone. Generating a little extra revenue from those who can most afford it,

while providing relief for working families, will help alleviate the shock that would come when our constituents discover the personal impact that budget cuts will have on their lives.

To that end, HB638 transfers the excess revenue to the general fund before funding the conservation programs listed above. My intent has always been to protect the funding in those incredibly important programs. Once the fiscal note is released, I will offer amendments if necessary to adjust the amounts to ensure full funding for Program Open Space, the Agricultural Land Preservation Fund, the Rural Legacy Program, and the Heritage Conservation Fund.

The transfer tax rates have not been changed since the tax was established in 1970. It’s well past time to make our tax system a little more fair. I ask for a favorable report for HB638.

Source: [State “Mansion Taxes” on Very Expensive Homes | Center on Budget and Policy Priorities](#)

<b>Residential Property</b>			
<b>Price</b>	<b>Proposed Rate</b>	<b>Proposed Tax</b>	<b>Current Tax</b>
\$299,999	0.25%	\$750	\$1,500
\$300,000	0.375%	\$1,125	\$1,500
\$399,999	0.375%	\$1,500	\$2,000
\$400,000	0.5%	\$2,000	\$2,000
\$499,999	0.5%	\$2,500	\$2,500
\$500,000	0.75%	\$3,750	\$2,500
\$699,999	0.75%	\$5,250	\$3,500
\$700,000	1%	\$7,000	\$3,500
\$999,999	1%	\$10,000	\$5,000
\$1,000,000	1.25%	\$12,500	\$5,000
\$2,999,999	1.25%	\$37,500	\$15,000
\$3,000,000	1.5%	\$45,000	\$15,000
<b>Nonresidential Property</b>			
<b>Price</b>	<b>Proposed Rate</b>	<b>Proposed Tax</b>	<b>Current Tax</b>
\$4,999,999	0.5%	\$25,000	\$25,000
\$5,000,000	0.75%	\$37,500	\$25,000
\$9,999,999	0.75%	\$75,000	\$50,000
\$10,000,000	1%	\$100,000	\$50,000
\$19,999,999	1%	\$200,000	\$100,000
\$20,000,000	1.25%	\$250,000	\$100,000
\$39,999,999	1.25%	\$500,000	\$200,000
\$40,000,000	1.5%	\$600,000	\$200,000