

February 14<sup>th</sup>, 2024

Ways and Means Committee  
Room 131, House Office Building  
Annapolis, Maryland 21401



**House Bill 638 – State Transfer Tax – Rates and Distribution of Revenue – OPPOSE**

Chair Atterbeary, Vice Chair Wilkins, and Members of the Ways and Means Committee,

The ICSC Maryland Government Relations Committee respectfully opposes House Bill 638: *State Transfer Tax – Rates and Distribution of Revenue – Alterations*. ICSC is the marketplaces industry association supporting more than 45,000. In Maryland our industry supports 500,000 jobs and is responsible for nearly \$7.1 Billion in state sales and use tax revenue.

This bill would lower the transfer tax from residential properties less than \$400,000 to 0.375%, and incrementally raise the transfer tax of residential properties up to 1.5% that are valued at over \$3 million. In addition, it would raise the transfer tax for commercial properties on a sliding scale from 0.75% on properties less than \$10 million, up to 1.5% on properties valued at \$40m at sale. The bill also mandates that 33% of revenue collected shall be distributed to the State's general fund.

ICSC is concerned with the bill as written because of its drastic increase in the commercial transfer tax. Raising the transfer tax for commercial properties valued over \$5 million would include a significant amount of all nonresidential property sales in the State, adding new costs to a typical real property transaction. This is exasperated by the sliding scale approach; as value of property increases, the rate and cost burden sharply increase. For example, the potential transfer tax rate of 1.5% for a \$40 million sale would increase costs of a \$40 million sale by \$400,000. This may impact potential sales, hindering potential development and improvements of property, as well as disincentivizing out-of-state money investment in Maryland.

We respectfully ask for an unfavorable report for this legislation.

Sincerely,  
Eric McWilliams  
ICSC Maryland Government Relations Chair

*If you have any questions regarding this document or ICSC please contact Sushant Sidh (Sushant.Sidh@capitol-strategies.com)*