

Real Property Section

To: Budget and Taxation Committee (Senate)

From: MSBA Real Property Section

Date: March 3, 2025 [Hearing Date March 5, 2025]

Subject: SB 881 –Transportation - Regional Transportation Authorities

Position: Unfavorable

The Real Property Section of the Maryland State Bar Association (MSBA) **opposes** SB 881 – Transportation - Regional Transportation Authorities.

This bill seeks to impose a “transportation authority transfer tax surcharge” of 0.15% on an instrument of writing that transfers nonresidential (aka commercial property) property and is recorded with the clerk of the circuit court for Anne Arundel County, Baltimore City, Baltimore County, Calvert County, Charles County, Frederick County, Howard County, Montgomery County, Prince George’s County or St. Mary’s County.

Maryland already ranks among the highest of all states for closing costs, including taxes, imposed in connection with the sale and refinancing of real estate. Increasing the state transfer tax on commercial property would be extremely detrimental to Maryland businesses and consumers alike. The commercial real estate market is presently struggling with many retail, restaurants, and entertainment facilities failing. Office buildings are empty. In addition, commercial banks are already struggling given the value of their loans far exceed risk-based capital levels according to The Conference Board calculations using FDIC Institutional Financial Reports data. Authorizing an additional tax to this already struggling sector would be add insult to injury.

Now is not the time chase investors in commercial real estate out of Maryland. According the Harvard Business Review article published on July 23, 2024, *U.S. Commercial Real Estate Is Headed Toward a Crisis* <https://hbr.org/2024/07/u-s-commercial-real-estate-is-headed-toward-a-crisis> :

“Increasing office space vacancies linked to remote and hybrid work could extend price declines and deepen losses for lenders in this space. Most empty or underutilized office space is too costly to convert to residential or other uses and will require deeper price concessions. As leases can stretch to 10 years before they are due for renewal, it may take years for the office space market to clear.

Notably, the sharp rise in interest rates has caused all commercial property subtypes, not just offices, to lose value. Indeed, commercial property prices have

already fallen by 21% from their mid-2022 peak, according to Green Street, a CRE analytics firm, and could ultimately decline by 35%.”

And, according to Bloomberg, *Office Real Estate is Facing a ‘Year of Reckoning’ in 2025*.

See <https://www.bloomberg.com/news/features/2024-12-18/commercial-real-estate-can-no-longer-ignore-its-problems> (December 18, 2024)

In this time of crisis, Maryland simply cannot afford to wipe out an already struggling aspect of its economy.

For these reasons, the Real Property Section of the MSBA opposes Senate Bill 881 and asks for an **unfavorable report**. Thank you for your consideration.