MARYLAND
Chamber of Commerce

House Bill 342

Date: February 4, 2025
Committee: House Ways & Means
Position: Unfavorable

Founded in 1968, the Maryland Chamber of Commerce (Maryland Chamber) is a statewide coalition of more than 7,000 members and federated partners working to develop and promote strong public policy that ensures sustained economic growth and opportunity for all Marylanders.

As introduced, House Bill 342 (HB 342) seeks to increase the state transfer tax rate on real property transactions and modify the distribution of revenue generated from the tax. HB 342 proposes a tiered transfer tax structure that raises the rate from 0.5% to as high as 1.5%, depending on the transaction value. The proposed tax increase will have a detrimental impact on Maryland's business climate, in particular, commercial real estate and small business.

HB 342 Will Deter Business Investment in Maryland

Maryland already faces competitive challenges in attracting and retaining businesses compared to neighboring states. Increasing the state transfer tax will discourage companies from investing in Maryland due to higher transaction costs; suppress commercial real estate activity, leading to reduced investment in office spaces, warehouses, and retail centers; and increase costs for business owners who rely on property transactions for growth and reinvestment.

HB 342 Will Have Unintended Economic Consequences

Rather than generating additional revenue, this tax increase may reduce overall economic activity. As seen in other jurisdictions, higher transfer taxes often lead to declines in commercial property transactions and overall property values and lower overall tax revenues due to decreased sales activity. Further, the higher costs passed on to consumers and tenants exacerbates affordability concerns for both Maryland businesses and residents.

HB 342 Creates Disparities Among Businesses

By applying a sliding scale tax rate, HB 342 disproportionately impacts businesses involved in larger property transactions, including small and mid-sized companies operating in commercial spaces. Many of these businesses operate on thin margins, and additional costs from increased transfer taxes will limit small and midsize businesses ability to reinvest into property improvements and community development. It may also hinder their ability to hire and invest in their employees.

HB 342 Raises Legal and Constitutional Concerns

Maryland's Constitution requires uniform taxation within property tax classifications. By introducing a progressive tax rate on certain transactions, HB 342 may conflict with these legal requirements, raising potential constitutional challenges that could delay or complicate implementation.

The Maryland Chamber is sensitive to the state's current budget situation, however, HB 342 is not the right solution. The more effective approach would be policies that encourage economic growth, investment in our private sector, and attract businesses to Maryland rather than drive them away.

For these reasons, the Maryland Chamber of Commerce respectfully urges an **unfavorable report** on **HB 342.**