



THE MARYLAND HOUSE OF DELEGATES  
ANNAPOLIS, MARYLAND 21401

SPONSOR TESTIMONY IN SUPPORT OF HB342  
(STATE TRANSFER TAX - RATES AND DISTRIBUTION OF REVENUE)

Delegate Sheila Ruth  
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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. HB342 takes a fresh look at the transfer tax, creating progressive tax rate tiers based on the cost of the real estate, which would help reduce wealth inequality. It would also help address the racial wealth gap because both historic and modern systemic housing discrimination and bias are among the biggest contributors to that gap. This progressive transfer tax would also ensure the wealthy pay their fair share to help preserve open space, agricultural and rural land, and historic conservation which otherwise would be at risk from new development.

HB342 would reduce the tax rate for residential real estate purchases under \$400,000. Under this bill, working families purchasing homes under \$400,000 would 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 \$400,000 and \$500,000 would be taxed at the current rate. Families purchasing homes above \$500,000 would pay a little more, but it's only as we approach million dollar homes that buyers would start to see a larger amount.

See Tables 1 and 2 starting on the second page 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, the \$12,500 transfer tax is likely much less significant than the \$750 savings would be for buyers and sellers of homes under \$300,000.

Under these brackets, the median home buyer and seller in eleven counties would pay a lower transfer tax rate than currently. (Table 3) That means that half of all home buyers/sellers in almost half of the counties would save a little bit on the transfer tax, making home buying more affordable - and these would be the residents for whom small savings would make a big difference. The median home buyer in ten counties would pay the same rate as currently. Only in three counties - Montgomery, Howard, and Queen Anne's - would the median home buyer pay more, and in those counties the median only bumps up one level to .75%, for a cost difference to the buyer of \$675-\$769.

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. Seventeen cities and counties also have progressive property taxes, including the District of Columbia and Los Angeles. Five of the seventeen have a top rate of 4%, and eight of them have a top rate between 2 and 4%. Compared to those, the additional tax paid at the higher level in this bill is modest. In Maryland, Anne Arundel County has two tiers for its local transfer tax, and Montgomery County has multiple property tax brackets that progressively add an additional amount. Baltimore has a .75% “Yield Tax” on residential and commercial property transactions worth more than \$1 million.

In addition to creating a fairer transfer tax system, the rates in HB342 would also generate additional revenue that can be used to help fund important state programs and services that Marylanders rely on. With a \$3 billion 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, HB342 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. Based on feedback from last year’s bill, this year I’ve added a firewall to protect land preservation programs by requiring that the amount transferred to the general fund cannot reduce funding for those programs below the five year average amount allocated to the special fund for land preservation.

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 fairer. I ask for a favorable report for HB342.

Sources:

- [State “Mansion Taxes” on Very Expensive Homes | Center on Budget and Policy Priorities](#)
- [Local Mansion Taxes: Building Stronger Communities with Progressive Taxes on High-Value Real Estate – ITEP](#)

**Table 1**

Residential Property			
Price	Proposed Rate	Proposed Tax	Current Tax
\$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

## Table 2

Nonresidential Property			
Price	Proposed Rate	Proposed Tax	Current Tax
\$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

## Table 3

Median House Cost Per County		Median House Transfer Tax				
		Current Transfer Tax %	Current Buyer Share (50% of tax)	Proposed Transfer Tax %	Proposed Buyer Share (50% of proposed tax)	Difference to Buyer
Allegany	\$150,000	0.50%	\$375	0.25%	\$188	-\$188
Somerset	\$195,000	0.50%	\$488	0.25%	\$244	-\$244
Baltimore City	\$225,000	0.50%	\$563	0.25%	\$281	-\$281
Wicomico	\$262,524	0.50%	\$656	0.25%	\$328	-\$328
Dorchester	\$268,500	0.50%	\$671	0.25%	\$336	-\$336
Caroline	\$304,000	0.50%	\$760	0.375%	\$570	-\$190
Washington	\$313,500	0.50%	\$784	0.375%	\$588	-\$196
Kent	\$339,500	0.50%	\$849	0.375%	\$637	-\$212
Baltimore Co.	\$360,000	0.50%	\$900	0.375%	\$675	-\$225
Cecil	\$365,000	0.50%	\$913	0.375%	\$684	-\$228
Harford	\$385,000	0.50%	\$963	0.375%	\$722	-\$241
St. Mary's	\$413,990	0.50%	\$1,035	0.50%	\$1,035	\$0
Worcester	\$415,000	0.50%	\$1,038	0.50%	\$1,038	\$0
Garrett	\$425,000	0.50%	\$1,063	0.50%	\$1,063	\$0
Prince George's	\$440,000	0.50%	\$1,100	0.50%	\$1,100	\$0
Charles	\$445,000	0.50%	\$1,113	0.50%	\$1,113	\$0
Calvert	\$451,000	0.50%	\$1,128	0.50%	\$1,128	\$0
Carroll	\$459,000	0.50%	\$1,148	0.50%	\$1,148	\$0

Frederick	\$484,184	0.50%	\$1,210	0.50%	\$1,210	\$0
Talbot	\$486,000	0.50%	\$1,215	0.50%	\$1,215	\$0
Anne Arundel	\$488,510	0.50%	\$1,221	0.50%	\$1,221	\$0
Queen Anne's	\$539,900	0.50%	\$1,350	0.75%	\$2,025	\$675
Howard	\$607,000	0.50%	\$1,518	0.75%	\$2,276	\$759
Montgomery	\$615,000	0.50%	\$1,538	0.75%	\$2,306	\$769
Source: MD Realtors, 2023						
<a href="#">Housing Statistics</a>						