



Maryland Department of Agriculture

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Maryland Department of Agriculture

Legislative Comment

DATE: January 31, 2025

BILL NUMBER: HB 342

SHORT TITLE: State Transfer Tax – Rates and Distribution of Revenue

MDA POSITION: INFORMATION

EXPLANATION:

This bill would alter the State transfer tax rates and the distribution of annual transfer tax revenues; these changes include a new formula whereby up to twenty-eight percent (28%) of annual transfer tax revenues currently designated for Program Open Space funding (the “POS Fund”) would be withheld and redirected to the General Fund. This will have a significant impact on various state conservation programs funded in whole or in part through the POS Fund, including the Maryland Agricultural Land Preservation Foundation (“MALPF”) program in the Maryland Department of Agriculture – though the full economic impact of the bill cannot be evaluated without further information.

BACKGROUND INFORMATION:

The state transfer tax was established by the General Assembly in 1969 as a dedicated funding source for the POS Fund – the first dedicated land conservation funding source in the nation for this purpose; the transfer tax thereby established a funding source to ensure that Maryland’s land conservation efforts would keep pace with the ever-increasing challenges of land development.

Since the inception of the POS Fund, and the various land conservation programs that have been added since 1969, Maryland has been a national leader in this field; many states look to Maryland as an example to emulate. Throughout that time, the structure of the original transfer tax has remained a constant funding source that has benefited all the citizens of Maryland.

This bill would render substantial changes to the collection and distribution of the transfer tax, by:

1. Setting different transfer tax rates for residential and non-residential properties (currently there is no differentiation);

2. Establishing a progressive transfer tax within each category, with the least expensive properties starting at .25% and the most expensive properties at 1.5%. (Currently, the transfer tax is a flat rate of .5%, with a lower rate for first-time Maryland home buyers); and
3. Diverting up to 28% of the collected funds to the General Fund (after subtraction of revenues pledged to bond repayments and costs of administering the transfer tax) prior to the distribution of the remaining revenue to the land conservation funds, following the existing formula for the POS Fund.

The Department of Agriculture (“Agriculture”) cannot provide a specific financial analysis on the impact this bill’s changes would have on Agriculture, including MALPF, because the proposed legislation involves both changes to the rate of the transfer tax, and the introduction of a new formula whereby a percentage of that funding. The Department of Agriculture does not administer the collection of the transfer tax and does not have access to the data to undertake this analysis.

Specific to Agriculture, MALPF is one of the state land conservation programs that is funded through the POS Fund. MALPF purchases agricultural easements on properties to preserve productive farmland and woodland for the continued production of food and fiber for all of Maryland’s citizens. To accomplish this and other statutory and ancillary goals, MALPF easements restrict agricultural land from commercial, industrial, and residential development.

If you have additional questions, please contact MALPF Director, Michelle Cable at Michelle.Cable@maryland.gov or Rachel Jones, Director of Government Relations for the Maryland Department of Agriculture, at rachel.jones2@maryland.gov or 410-841-5886.