



House Bill 342

State Transfer Tax - Rates and Distribution of Revenue

MACo Position: **SUPPORT**
WITH AMENDMENTS

To: Ways and Means Committee

Date: February 4, 2025

From: Karrington Anderson and Kevin Kinnally

The Maryland Association of Counties (MACo) **SUPPORTS HB 342 WITH AMENDMENTS**. This bill alters the state transfer tax rate and modifies the distribution of transfer tax revenue. While MACo recognizes the bill's aim to create a more equitable and structured tax system, the Association is concerned about potential unintended consequences for existing land preservation programs, such as Program Open Space (POS). Counties would recommend a firmer "hold harmless" calculation in the bill.

Following the bill's main intent (to create upper "brackets" for the state transfer tax), the bill then introduces a provision requiring the Comptroller to calculate 28% of the remaining transfer tax revenue and adjust the distribution based on a five-year average. If this amount falls below the average, the Comptroller must modify the allocation, with the balance directed to the General Fund. MACo is concerned that this mechanism could diminish dedicated funding for local POS and other critical land conservation programs, which rely on transfer tax revenue for stability and long-term planning.

POS is the heartbeat of Maryland's recreation and conservation landscape. Initially enacted in the 1960s, POS is funded via the transfer tax from the sale of real estate and represents the most significant influx of capital and operating dollars for these purposes for most jurisdictions. Without POS or with reduced POS funds, decades of work meant to give Marylanders access to natural areas would likely be put in jeopardy.

To mitigate concerns, MACo requests that the Committee consider protecting dedicated funding for land preservation, conservation, and recreation programs from unintended revenue shifts. **A clearer "hold harmless" based on actual transactions, rather than historical averages, would best effect this important protection for current land preservation and related efforts.** POS and similar initiatives must remain a priority within the state's transfer tax framework to maintain their role in supporting Maryland's open space and recreational needs.

Counties appreciate the effort to modernize the state transfer tax system and recognize the bill's broader revenue objectives. However, to preserve vital land preservation efforts and conservation programs, MACo urges the Committee to issue a **FAVORABLE WITH AMENDMENTS** report on HB 342, and leave current support for Program Open Space fully protected.