



February 4, 2025

The Honorable Vanessa E. Atterbeary, Chair
130 Taylor House Office Building
Annapolis, Maryland 21401

Oppose: HB 342 – Transfer Tax Rates and Distribution of Revenue

Dear Chair, Atterbeary and Committee Members:

The NAIOP Maryland Chapters represent approximately 700 companies involved in all aspects of commercial, industrial, and mixed-use real estate. On behalf of our member companies, I am writing in opposition to HB 342 which would create graduated marginal tax brackets that increase the state transfer tax rate for commercial and multifamily real estate.

This proposed state transfer tax increase to 1.5% for large commercial transactions would stack state taxes on top of local transfer and recordation taxes and real estate property taxes that have increased in recent years through legislative enactments and increased assessments.

For example, the transfer tax in Montgomery County is 1% of consideration for improved property. The county recordation tax for instruments valued at more than \$1 million is 2.27%. An additional 1.5% state transfer tax on large transactions would increase the effective marginal tax rate for large transactions in Montgomery County to 4.27%.

The resulting taxes would deteriorate Maryland's competitive position compared to Virginia and the District of Columbia. The combined transfer and recordation tax rate for large transactions in the District of Columbia is 2.9%. Virginia's tax schedule is even lower.

In addition, Montgomery County imposes a transfer tax of 6% on vacant, rezoned land transferred during the development process. For valuable development parcels that fall into the top state bracket, the transfer tax in HB 342 would increase the combined state and local rate to 7.5%. This stacking or pyramid effect increases the cost of development and new construction of both commercial and residential multifamily real estate.

Finally, we would caution the committee not to overlook the significant share of large transactions that are comprised of multifamily real estate buildings and portfolios of buildings. In recent years, in some counties, the value of multifamily real estate transfers has been higher than any other commercial real estate category.

For these reasons, NAIOP respectfully requests your unfavorable report on HB 342

Sincerely,

Tom Ballentine, Vice President for Policy
NAIOP – Maryland Chapters, *The Association for Commercial Real Estate*

cc: Ways and Means Committee Members
Nick Manis – Manis, Canning Assoc.