MARYLAND MULTI-HOUSING ASSOCIATION, INC.

House Bill 342

Committee: Ways and Means
Bill: House Bill 342 - State Transfer Tax - Rates and Distribution of Revenue
Date: February 4th, 2025
Position: Unfavorable

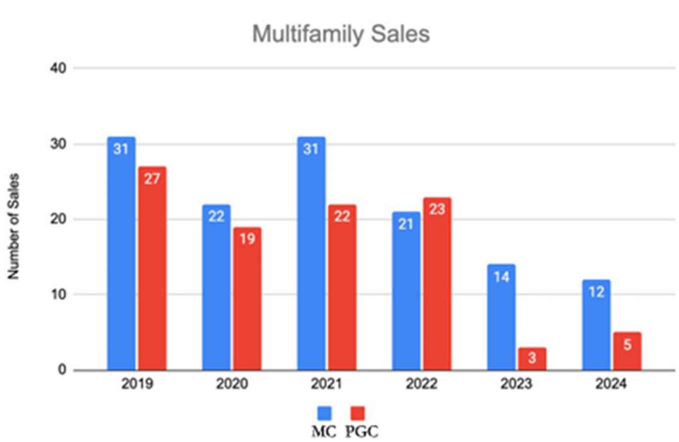
The Maryland Multi-Housing Association (MMHA) is a professional trade association established in 1996, whose members house more than 538,000 residents of the State of Maryland. MMHA's membership consists of owners and managers of more than 210,000 rental housing homes in over 958 apartment communities and more than 250 associate member companies who supply goods and services to the multi-housing industry.

House Bill 342 ("HB 342") seeks to alter the State transfer tax rate and the distribution of State transfer tax revenue, and applying the Act to instruments of writing recorded on or after July 1, 2025. Relevant to MMHA, HB 342 creates a sliding scale for the tax rate on residential and nonresidential real property transfers ranging from 0.25% to 1.5% based on the consideration of the property.

MMHA has the following concerns with HB 342:

I. HB 342 would disincentivize housing providers from doing business in Maryland.

During the "State of Housing" briefing in Maryland House Environment & Transportation Committee on January 14th 2025[1], the Apartment & Office Building Association of Metropolitan Washington ("AOBA") and MMHA jointly presented on the state of rental housing in Maryland. Based upon information provided through CoStar, a real estate information and analytics company that provides data, news, and online marketplaces, a gloomy glimpse was provided to the committee on the 2024 sales trends of multi-family buildings in Maryland:



- The sale price per unit fell to **$161,834**, below the five-year average of **$194,608 (about a 17% decline).**
- The total sales volume plummeted to **$1.89 billion**, below the five-year average of **$4.47 billion (about a 58% decline).**
- As shown in the graph to the left, the total sales of Montgomery County ("MC") and Prince George's County ("PGC") multi-family buildings **are in a sharp decline.**

[1] Maryland House Environment and Transportation Committee. *State of Rental Housing.* Written and Presented by Aaron Greenfield, Esq. and Brian Anleu., 14 Jan. 2025. https://mgaleg.maryland.gov/meeting_material/2025/ent%20-%20133813519729648824%20-%20State%20of%20Housing%20Presentation%202025.pdf

By effectively raising the state transfer tax on a shrinking pool of multi-building sales, MMHA is concerned that the state and municipalities will continue to see lower sale prices and sale volumes as investors look away from Maryland. As an alternative, **MMHA would encourage the General Assembly to find legislative solutions that encourage more sales activity as a way to naturally improve revenue from the current state transfer tax rate.** According to a Wall Street Journal article[1] from December, Scott Melnick, president of Montgomery County-based brokerage Melnick Real Estate Advisors, *"There's no question that [the rent restrictions] had more than a chilling effect [on multifamily transaction volume in Montgomery County and Prince George's County].*

II. HB 342 potentially violates the Maryland Constitution.

As written, MMHA is concerned that HB 342 may be in violation of the uniformity in taxation provision of Article 15 of the Declaration of Rights within the Maryland Constitution. This article specifies that the State shall "by uniform rules, provide for the separate assessment, classification and sub-classification of land, improvements on land, and personal property . . . and all taxes . . . shall be uniform within each class or sub-class . . ."[2]. Modifying the state transfer tax rate into a sliding scale in this legislation may run afoul the uniformity provisions, and therefore MMHA would advise obtaining a legal opinion on this matter.

While MMHA understands the intent of this legislation and the need for the Maryland General Assembly to find long-term fiscal solutions, HB 342 as written would effectively increase the State transfer tax on a declining sale volume of multi-family buildings. While MMHA stands ready to work on improving this legislation, given the outlined economic and legal concerns, MMHA must respectfully request an **unfavorable report** on House Bill 342.

Please contact Matthew Pipkin, Jr. at (443) 995-4342 or mpipkin@mmhaonline.org with any questions.

[1]Picciotto, R. (2024, December 23). *Wall Street landlords loved these D.C. suburbs. Rent control ended that. The Wall Street Journal.* Retrieved from https://www.wsj.com/real-estate/wall-street-landlords-loved-these-d-c-suburbs-rent-control-ended-that-a8f166cb

[2]Department of Legislative Services. (2018). *Guide to the property tax structure in Maryland* (p. 1). Annapolis, MD: Maryland General Assembly. Retrieved from https://dls.maryland.gov/pubs/prod/InterGovMatters/LocFinTaxRte/Guide-to-the-Property-Tax-Structure-in-Maryland.pdf