

Department of Legislative Services
 Maryland General Assembly
 2016 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 447

(Charles County Delegation)

Environment and Transportation

Budget and Taxation

**Charles County - County Transfer Tax - Revenue Received by the Clerk of the
 Circuit Court**

This bill reduces the percentage of revenue that the Clerk of the Circuit Court in Charles County is entitled to receive from the county transfer tax. Pursuant to the bill, the Clerk of the Circuit Court will be able to retain 0.5% of county transfer tax revenues instead of 5.0% as provided under current law. The bill must be applied retroactively to county transfer tax revenue collected by the Clerk of the Circuit Court on or after August 8, 2015. The Comptroller is required to remit to the Charles County Treasury Division the balance of county transfer taxes that the county is entitled to retain for those taxes collected on or after August 8, 2015, but before July 1, 2016.

The bill takes effect July 1, 2016, and terminates September 30, 2016.

Fiscal Summary

State Effect: General fund revenues decrease by approximately \$56,600 in FY 2017. General fund expenditures increase by \$203,300 in FY 2016 to refund Charles County a portion of the transfer tax commissions retained by the Clerk of the Circuit Court as a result of the bill's retroactive provision.

(in dollars)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
GF Revenue	\$0	(\$56,600)	\$0	\$0	\$0
GF Expenditure	\$203,300	\$0	\$0	\$0	\$0
Net Effect	(\$203,300)	(\$56,600)	\$0	\$0	\$0

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: Charles County revenues increase by approximately \$203,300 in FY 2016 and by \$56,600 in FY 2017. County expenditures are not affected.

Small Business Effect: None.

Analysis

Current Law: The clerks of the circuit court in several jurisdictions collect a number of different taxes and fees, including local transfer taxes. In the remaining jurisdictions, local finance offices are responsible for the collection of these taxes. The clerks of the circuit court who collect the tax are entitled to a commission of between 3% and 5% of all public monies collected, which, unless otherwise specified, are remitted to the State's general fund.

Charles County enacted local legislation on June 24, 2015, that established a 0.5% county transfer tax beginning in fiscal 2016. The legislation required that the transfer tax be collected by the Clerk of the Circuit Court.

Background: The State and most counties impose a transfer tax. The State transfer tax rate is 0.5% of the consideration payable for an instrument of writing conveying title to, or a leasehold interest in, real property (0.25% for first-time Maryland homebuyers). In some jurisdictions, a local property transfer tax may be imposed on instruments transferring title to real property. A distinction is made in the local codes between instruments transferring title such as a deed and certain leaseholds and instruments securing real property such as a mortgage.

County governments collected \$350.7 million in local transfer taxes in fiscal 2014 and are expected to collect \$377.8 million in fiscal 2015 and \$382.7 million in fiscal 2016. **Exhibit 1** shows the estimated local transfer tax collections for fiscal 2014 through 2016.

Exhibit 1
Transfer Tax Revenue Trend for Fiscal 2014-2016

County	FY 2014	FY 2015	FY 2016	FY 2014-2015		FY 2015-2016		Average Annual Difference
				\$ Difference	% Difference	\$ Difference	% Difference	
Allegany	\$478,515	\$387,898	\$425,000	-\$90,617	-18.9%	\$37,102	9.6%	-5.8%
Anne Arundel	38,982,623	43,000,000	40,000,000	4,017,377	10.3%	-3,000,000	-7.0%	1.3%
Baltimore City	36,767,342	36,801,230	28,499,000	33,888	0.1%	-8,302,230	-22.6%	-12.0%
Baltimore	53,627,948	65,000,000	67,000,000	11,372,052	21.2%	2,000,000	3.1%	11.8%
Calvert	0	0	0	0	N/A	0	N/A	N/A
Caroline	344,652	534,257	250,000	189,605	55.0%	-284,257	-53.2%	-14.8%
Carroll	0	0	0	0	N/A	0	N/A	N/A
Cecil	25,009	27,836	1,254,878	2,827	11.3%	1,227,042	4408.1%	608.4%
Charles	0	0	4,683,200	0	N/A	4,683,200	N/A	N/A
Dorchester	634,992	703,685	826,614	68,693	10.8%	122,929	17.5%	14.1%
Frederick	0	0	0	0	N/A	0	N/A	N/A
Garrett	1,492,070	1,307,500	1,403,500	-184,570	-12.4%	96,000	7.3%	-3.0%
Harford	11,646,255	11,200,000	12,800,000	-446,255	-3.8%	1,600,000	14.3%	4.8%
Howard	26,907,783	30,252,673	28,000,000	3,344,890	12.4%	-2,252,673	-7.4%	2.0%
Kent	559,650	674,613	708,343	114,963	20.5%	33,730	5.0%	12.5%
Montgomery	91,220,828	89,510,000	97,040,000	-1,710,828	-1.9%	7,530,000	8.4%	3.1%
Prince George's	73,462,773	81,988,000	86,087,400	8,525,227	11.6%	4,099,400	5.0%	8.3%
Queen Anne's	1,461,174	1,679,000	1,729,370	217,826	14.9%	50,370	3.0%	8.8%
St. Mary's	5,016,977	5,573,007	4,250,000	556,030	11.1%	-1,323,007	-23.7%	-8.0%
Somerset	0	0	0	0	N/A	0	N/A	N/A
Talbot	3,341,976	3,505,646	3,200,000	163,670	4.9%	-305,646	-8.7%	-2.1%
Washington	1,593,811	2,399,022	1,500,000	805,211	50.5%	-899,022	-37.5%	-3.0%
Wicomico	0	0	0	0	N/A	0	N/A	N/A
Worcester	3,165,273	3,278,524	3,000,000	113,251	3.6%	-278,524	-8.5%	-2.6%
Total	\$350,729,651	\$377,822,891	\$382,657,305	\$27,093,240	7.7%	\$4,834,414	1.3%	4.5%

Source: Department of Legislative Services, County Budgets

State Fiscal Effect: Charles County began imposing a local transfer tax in fiscal 2016 with the Clerk of the Circuit Court being responsible for collecting the transfer taxes. Under current law, the Clerk of the Circuit Court is entitled to a 5% commission of all public monies collected, including transfer taxes, which, unless otherwise specified, are remitted to the State's general fund. The bill reduces the amount of the commission received by the Clerk of the Circuit Court from 5% to 0.5% for all transfer tax revenue collected beginning August 8, 2015, through September 30, 2016. The Comptroller is required to remit to the Charles County Treasury Division the balance of transfer taxes the county is entitled to receive for transfer taxes collected between August 8, 2015, and July 1, 2016. As a result, the Comptroller will have to refund Charles County approximately 11 months (92%) of the commissions that the Clerk of the Circuit Court would have otherwise retained during fiscal 2016, which is estimated at \$203,300 based on current revenue projections by the county government. General fund revenues will decrease by approximately \$56,600 in fiscal 2017, which reflects the bill's September 30, 2016 termination date.

Local Fiscal Effect: Based on the current estimate of transfer tax revenues from the fiscal 2016 Charles County budget, Charles County revenues will increase by approximately \$203,300 in fiscal 2016, which accounts for refunding 11 months of commissions currently retained by the Clerk of the Circuit Court. County revenues will increase by approximately \$56,600 in fiscal 2017, which reflects the bill's September 30, 2016 termination date.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Charles County, Judiciary (Administrative Office of the Courts), Department of Legislative Services

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