

Department of Legislative Services
Maryland General Assembly
2018 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 223

(Howard County Delegation)

Ways and Means

Budget and Taxation

Howard County - Transfer Tax Exemption and Rate Reduction - Teachers
Ho. Co. 13-18

This bill adds Howard County public school teachers to the list of qualified county employees who are eligible for a county transfer tax exemption for a first time home purchase in the county and a reduced transfer tax rate for subsequent home purchases in the county. **The bill takes effect July 1, 2018.**

Fiscal Summary

State Effect: None.

Local Effect: Howard County transfer tax revenues decrease beginning in FY 2019. The amount of the decrease depends on the number of qualifying home purchases and the consideration paid on each property. *For illustrative purposes only*, county revenues could decrease by over \$100,000 annually for each 25 individuals receiving a transfer tax exemption under the bill. County expenditures are not affected. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: None.

Analysis

Current Law: Chapter 148 of 2017 established a county transfer tax exemption, applicable only in Howard County, for county law enforcement officers or fire and rescue services members. To be eligible for the exemption, the individual must meet the following requirements: (1) the property must be the individual's principal residence; (2) the individual must be a first-time homebuyer in Howard County; and (3) the individual must

be employed as a county police officer, county deputy sheriff, or a fire and rescue services member for a minimum of three years following the home purchase. In addition, the bill limits the county transfer tax rate to 0.7% for a second and subsequent residential purchase by these individuals.

The State and most counties impose a transfer tax. The State transfer tax rate is set at 0.5% or 0.25% for first-time Maryland homebuyers. The local transfer tax rate in Howard County is set at 1%. Howard County is projected to collect approximately \$28.8 million in local transfer tax revenues in fiscal 2018.

Background: A similar local transfer tax exemption is provided to local law enforcement officers in Prince George's County. Chapter 373 of 2006 established a county transfer tax exemption for Prince George's County police officers or a municipal police officer who operates in the county. To be eligible for the exemption, the property must be the officer's principal residence and be a first-time home purchase in Maryland. In addition, the county transfer tax is capped at 1% for a second and subsequent residential purchase. Chapter 248 of 2007 extended the exemption for a first-time residential property purchase to Prince George's County deputy sheriffs. Chapter 47 of 2015 caps the Prince George's County transfer tax rate at 1% for a second and subsequent residential property purchase made by a Prince George's County deputy sheriff.

Local Fiscal Effect: Howard County transfer tax revenues decrease beginning in fiscal 2019, depending on the number of qualifying home purchases and the consideration paid on each property. *For illustrative purposes only*, county revenues could decrease by over \$100,000 annually for each 25 individuals receiving a transfer tax exemption under the bill. This estimate is based on the following facts and assumptions:

- median home price in Howard County totals \$435,900 in fiscal 2017;
- 1% local transfer tax rate;
- 4,305 teachers employed by the Howard County Board of Education in fiscal 2017; and
- average teacher salary is \$73,145 in Howard County (October 2016).

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Howard County; State Department of Assessments and Taxation;
Department of Legislative Services

Fiscal Note History: First Reader - January 26, 2018
md/hlb Third Reader - March 15, 2018

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