

**MEMORANDUM**

TO: County Council

FROM:  Michael Faden, Senior Legislative Attorney  
 Amanda Mihill, Legislative Analyst

SUBJECT: **Introduction:** Bill 24-07, Real Property – Disclosure – Property Tax, Enforcement

Bill 24-07, Real Property – Disclosure – Property Tax, Enforcement, sponsored by Councilmember Andrews, Council President Praisner, Councilmember Trachtenberg, Council Vice-President Knapp, and Councilmember Elrich, is scheduled to be introduced on September 11, 2007. A public hearing is tentatively scheduled for October 2 at 1:30 p.m.

Bill 24-07 requires material produced or distributed by a seller (including the seller's real estate agent) in connection with the sale of a specific residential real property to disclose the amount of property tax a buyer must pay in the next tax year after the property is transferred. If the material lists the amount of property tax the current owner pays, the amount the new owner must pay must be equally prominent. This bill is necessary, according to its lead sponsor (see sponsor's memo, ©4) because home resale materials often list the amount of property tax the current owner pays. While this information may be accurate, it often is misleading because the amount of taxes the buyer must pay normally is greater than the current owner pays because the state homestead credit (assessment cap) for owner-occupied dwellings does not apply in the first year after the property is transferred.<sup>1</sup>

Bill 24-07 also authorizes the County Office of Consumer Protection to enforce this and several similar real estate sales disclosure requirements.

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<sup>1</sup>See Maryland Code, Tax-Property Art. §9-105(d)(1)(i).

Bill No. 24-07  
Concerning: Real Property – Disclosure  
– Property Tax, Enforcement  
Revised: 9-6-07 Draft No. 4  
Introduced: September 11, 2007  
Expires: March 11, 2009  
Enacted: \_\_\_\_\_  
Executive: \_\_\_\_\_  
Effective: \_\_\_\_\_  
Sunset Date: None  
Ch. \_\_\_\_\_, Laws of Mont. Co. \_\_\_\_\_

## COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

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By: Councilmember Andrews, Council President Praisner, Councilmember Trachtenberg, Council Vice-President Knapp, and Councilmember Elrich

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**AN ACT** to:

- (1) require certain material distributed in connection with the sale of certain residential real property to disclose the amount of property tax a buyer would be obligated to pay after purchase;
- (2) direct the Office of Consumer Protection to enforce certain real estate disclosure requirements; and
- (3) conform related provisions and generally amend County law governing real estate disclosures and their enforcement.

By adding

Montgomery County Code  
Chapter 40, Real Property  
Section 40-12B

By amending

Chapter 40, Real Property  
Section 40-14  
Chapter 11, Consumer Protection  
Section 11-5

<b>Boldface</b>	<i>Heading or defined term.</i>
<u>Underlining</u>	<i>Added to existing law by original bill.</i>
[Single boldface brackets]	<i>Deleted from existing law by original bill.</i>
<u>Double underlining</u>	<i>Added by amendment.</i>
[[Double boldface brackets]]	<i>Deleted from existing law or the bill by amendment.</i>
* * *	<i>Existing law unaffected by bill.</i>

*The County Council for Montgomery County, Maryland approves the following Act:*



# LEGISLATIVE REQUEST REPORT

Bill 24-07

Real Property – Disclosure – Property Tax, Enforcement

**DESCRIPTION:** Requires home sales material to disclose the amount of property tax a buyer would be obligated to pay after the property is transferred. If the material specifies the amount of property tax the current owner is obligated to pay, the amount the new owner must pay must be equally prominent. Authorizes the County Office of Consumer Protection to enforce this and several similar real estate sales disclosure requirements.

**PROBLEM:** Home resale materials often list the amount of property tax the current owner pays. While this information may be accurate, it often is misleading because the amount of taxes the buyer must pay normally is greater than the current owner pays because the state homestead credit (assessment cap) for owner-occupied dwellings does not apply in the first year after the property is transferred.

**GOALS AND OBJECTIVES:** To assure that homebuyers are not surprised by the amount of property taxes they will pay after the property is transferred.

**COORDINATION:** Office of Consumer Protection

**FISCAL IMPACT:** To be requested.

**ECONOMIC IMPACT:** To be requested.

**EVALUATION:** To be requested.

**EXPERIENCE ELSEWHERE:** To be researched.

**SOURCE OF INFORMATION:** Michael Faden, Senior Legislative Attorney (240-777-7905)  
Amanda Mihill, Council Legal Analyst (240-777-7815)

**APPLICATION WITHIN MUNICIPALITIES:** To be researched.

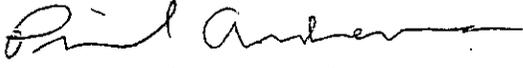
**PENALTIES:** Class A (see County Code §40-14).



MONTGOMERY COUNTY COUNCIL  
ROCKVILLE, MARYLAND

PHIL ANDREWS  
COUNCILMEMBER - DISTRICT 3

MEMORANDUM

To: Councilmembers  
From: Phil Andrews, Councilmember District 3   
Subject: Legislation to provide homebuyers with accurate information about property tax obligations.  
Date: September 6, 2007

It is important that potential homebuyers be informed up front of the property tax payments they will be obligated to make on a home if they purchase it. Currently, potential homebuyers rarely have timely information presented to them as to how much the property taxes will be in the first full tax year after a home is purchased by them in Montgomery County. This attached bill would require that home sellers include on material advertising the sale of the home the amount of property tax a buyer would be obligated to pay during the first full tax year of ownership based on current property tax rates and the home's taxable assessment.

Flyers advertising homes typically include a "taxes" line that lists the amount of property tax the current owner is obligated to pay. Given the very large increases in assessments in recent years, this information is misleading to prospective homebuyers because the amount of property tax that they will be obligated to pay is usually much more – sometimes thousands of dollars more – than what the current owner is paying (and would pay the following year if they stayed in the house) because the 10% cap on annual increases in a home's taxable assessment does not apply in the first year of new ownership. Moreover, their property tax obligations are, in effect, permanently ratcheted up, because the amount of property tax they pay the first year is their new base level from which annual 10% increases in the taxable assessment are calculated. This is all the more reason why prospective homebuyers need information up front about future property tax obligations.

Please contact Lisa Mandel-Trupp if you would like to co-sponsor this legislation. I plan to introduce the bill on September 11.