


M E M O R A N D U M

April 21, 2017

TO: County Council

FROM: Robert H. Drummer, Senior Legislative Attorney 

SUBJECT: **Public Hearing:** Bill 10-17, Recordation Tax – Rates -- Amendments

Bill 10-17, Recordation Tax – Rates -- Amendments, by Lead Sponsor Councilmember Elrich and Co-sponsor Councilmember Leventhal, was introduced on April 4. A Government Operations and Fiscal Policy Committee worksession is tentatively scheduled for May 4 at 9:45 a.m.

Bill 10-17 would modify the recordation tax rates levied under state law for certain transactions.

Background

The “Recordation Tax Premium” went into effect in 2008. Bill 15-16, enacted on May 18, 2016, increased the Premium rate from \$1.55 to \$2.30/\$500. Unlike the two elements of the base rate paid on all transactions, the Premium applies only to the cost of a property or a refinancing that is more than \$500,000. Half of the proceeds from the Premium are allocated to County Government capital projects (i.e., capital projects of departments in the Executive Branch); the other half is for rent assistance for low and moderate income households.

Bill 10-17 would reduce the Premium for transactions that are more than \$500,000 but less than \$1,000,000 from 2.30 to \$1.55/\$500. The Bill would increase the Premium for transactions that are more than \$1,000,000 but less than \$2,000,000 from \$2.30 to \$2.55/\$500. The Bill would also increase the Premium for transactions that are more than \$2,000,000 from \$2.30 to \$3.55/\$500.

This packet contains:

Bill 10-17

Legislative Request Report

Circle #

1

4

Bill No. 10-17
Concerning: Recordation Tax – Rates –
Amendments
Revised: April 7, 2017 Draft No. 3
Introduced: April 4, 2017
Expires: October 4, 2018
Enacted: _____
Executive: _____
Effective: _____
Sunset Date: None
Ch. [#], Laws of Mont. Co. [year]

**COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND**

Lead Sponsor: Councilmember Elrich
Co-sponsor: Councilmember Leventhal

AN ACT to:

- (1) modify the recordation tax rates levied under state law for certain transactions; and
- (2) generally amend the law governing the recordation tax

By amending

Montgomery County Code
Chapter 52, Taxation
Section 52-16B

Boldface	<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:

1 **Sec. 1. Section 52-16B is amended as follows:**

2 **52-16B. Recordation Tax.**

3 (a) *Rates.* The rates and the allocations of the recordation tax, levied under
4 Md. Tax-Property Code §§12-101 to 12-118, as amended, are:

5 (1) for each \$500 or fraction of \$500 of consideration payable or of
6 the principal amount of the debt secured for an instrument of
7 writing, including the amount of any mortgage or deed of trust
8 assumed by a grantee;

9 (A) \$2.08, of which the net revenue must be reserved for and
10 allocated to the County general fund; and

11 (B) \$2.37, of which the net revenue must be reserved for and
12 allocated to the cost of capital improvements to schools; and

13 (2) if the consideration payable or principal amount of debt secured
14 exceeds \$500,000[,]:

15 (A) an additional [~~\$2.30~~] \$1.55 for each \$500 or fraction of \$500
16 of the amount over \$500,000 but less than \$1,000,000[,];

17 (B) an additional \$2.55 for each \$500 or fraction of \$500 of the
18 amount over \$1,000,000 but less than \$2,000,000; and

19 (C) an additional \$3.55 for each \$500 or fraction of \$500 of the
20 amount over \$2,000,000.

21 (3) The net revenue from the premiums payable under paragraph (2)
22 [of which the net revenue] must be reserved for and allocated
23 equally to:

24 (A) the cost of County government capital improvements; and

25 (B) rent assistance for low and moderate income households,
26 which must not be used to supplant any otherwise available
27 funds.

28 (b) *Exemption.* The first \$100,000 of the consideration payable on the
 29 conveyance of any owner-occupied residential property is exempt from
 30 the recordation tax if the buyer of that property is an individual and
 31 intends to use the property as the buyer’s principal residence by actually
 32 occupying the residence for at least 7 months of the 12-month period
 33 immediately after the property is conveyed.

34 **Sec. 2. Effective Date.**

35 This Act must apply to any transaction which occurs on or after September 1,
 36 2017.

37 *Approved:*

38 _____
 Roger Berliner, President, County Council Date

39 *Approved:*

40 _____
 Isiah Leggett, County Executive Date

41 *This is a correct copy of Council action.*

42 _____
 Linda M. Lauer, Clerk of the Council Date

LEGISLATIVE REQUEST REPORT

Bill 10-17

Recordation Tax – Rates -- Amendments

DESCRIPTION: Bill 10-17 would modify the recordation tax rates levied under state law for transactions that are more than \$500,000.

PROBLEM: The premium rate for transactions that are more than \$500,000 but less than \$1,000,000 is high. The revenue loss from lowering this premium rate can be made up by increasing the premium rate for transactions that are more than \$1,000,000.

GOALS AND OBJECTIVES: The goal is to lower the premium rate for transactions that are less than \$1,000,000.

COORDINATION:

FISCAL IMPACT: Office of Management and Budget, Finance

ECONOMIC IMPACT: To be determined.

EVALUATION: N/A

EXPERIENCE ELSEWHERE: N/A

SOURCE OF INFORMATION: Robert H. Drummer, Senior Legislative Attorney

APPLICATION WITHIN MUNICIPALITIES: applicable

PENALTIES: N/A