

Agenda Item 3A  
May 18, 2016  
**Action**

## MEMORANDUM

May 16, 2016

TO: County Council

FROM: Robert H. Drummer, Senior Legislative Attorney  
Glenn Orlin, Deputy Council Administrator

SUBJECT: **Action:** Expedited Bill 15-16, Recordation Tax – Rates – Allocations - Amendments

Expedited Bill 15-16, Recordation Tax – Rates – Allocations - Amendments, sponsored by Lead Sponsor Council President Floreen, was introduced on April 19, 2016. A public hearing was held on May 10 and a Council worksession was held on May 12.

Bill 15-16 would increase the rate of the recordation tax levied under state law and allocate the revenue received from the recordation tax for different uses.

### Background

Recordation taxes are paid when a house or building is sold, or if the mortgage on a house or building is refinanced. There are three elements of the recordation tax:

- The “base” recordation rate is \$2.20/\$500 on the sale price or, if refinancing, on the additional amount borrowed over the remaining principal. (If acquiring a home, the first \$50,000 of the sale cost is exempt.) Bill 15-16 would not change the “base” rate or how its revenue is allocated.
- The “school increment” went into effect in 2004 and its rate is \$1.25/\$500. It is also based on the sale price or, if refinancing, on the additional amount borrowed over the remaining principal. This Bill would raise the rate to \$2.00/\$500, effective July 1, and would generate \$125 million over the next six years. Currently the proceeds can be used for any Montgomery County Public Schools (MCPS) capital project and for any Montgomery College information technology capital project. The Bill would dedicate all the proceeds to MCPS projects; College information technology projects can still be funded with general Current Revenue.
- The “Recordation Tax Premium” went into effect in 2008 and its rate is \$1.55/\$500. Unlike the other two elements, the Premium applies only to the cost of a property or a refinancing

that is in excess of \$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. This Bill would raise the rate to \$2.30/\$500, effective July 1, and would generate \$30 million more for County Government projects and \$30 million more for rental assistance over the next six years. On March 22, the Council heard from Enterprise Community Partners about the need for more affordable housing in Montgomery County and that part of the solution is more money. The Recordation Tax Premium is an important revenue source for the Housing Initiative Fund. It has been used for traditional monthly rental assistance and very effectively at the Bonifant to make many of these new units affordable to very low income seniors. The Department of Housing and Community Affairs has projects in the pipeline that may need \$40 to \$50 million. This funding will help make sure there is adequate funding to move forward when projects and programs are ready.

Lead Sponsor, Council President Floreen, explained the need for this Bill in an April 12 memorandum at ©5-6.

### **Public Hearing**

The Council held a spirited public hearing on May 10 with 17 speakers and a large audience. There were 2 opposing views. Lisa Siegel, representing the Rolling Terrace PTA (©26-28), Sally McCarthy, representing the Walt Whitman Cluster (©58-59), Joyce Breiner (©60), Charissa Scott, representing the Blake High School Cluster, Melissa McKenna, Maryvale Elementary PTA, Joseph Piff, representing the Walter Johnson Cluster (©75-76), Debby Orsak, representing Ashburton Elementary School (©77), Oscar Alvarenga, representing the Gaithersburg High School Cluster, and Paul Geller, representing the Sherwood High School Cluster (©78-79) each supported the Bill to fund much needed public school construction to reduce significant overcrowding in many County schools. Robert Goldman, representing the Montgomery Housing Partnership (©61-62), supported the Bill to increase funding for the development of affordable housing in the County. Mr. Goldman suggested an amendment to change the allocation of revenue from the cost of County government capital improvements to an allocation for any type of capital improvements, such as public-private partnerships.

Many real estate professionals opposed the Bill because it would tax only buyers and sellers of real property to fund capital projects that benefit all County residents. Jane Fairweather, representing the Greater Bethesda Chamber of Commerce (©20-21), Peg Mancuso, Greater Capital Area Association of Realtors (©22-25), Susann Haskins, Long and Foster Real Estate (©29-38), Marty Stanton, KVS Title, LLC (©39-57), Nicola Whiteman, Apartment & Office Building Association (©63-69), and Edward Krauze, Greater Capital Area Association of Realtors (©70-73) each opposed the Bill. Several of these real estate professionals suggested the Council fund the needed public school capital projects by increasing the property tax assessed against all property owners. Robin Ficker opposed the Bill and argued that the State should increase its funding for County public schools as the General Assembly recently did for Baltimore City. Kerry Roth (©74) submitted written testimony opposing the Bill.

## **May 12 Council Worksession**

The Council discussed how the recordation tax is collected and how the total tax is calculated. The Council discussed why an increase in revenue is necessary to fund the proposed Capital Improvements Program, including much of the \$160 million of the Montgomery County Public Schools (MCPS) request for capital projects that the Executive did not recommend funding in the Executive's Recommended FY17-22 Capital Improvements Program. Councilmembers also discussed different scenarios for raising revenue through a combination of the property tax and the recordation tax. Council staff was asked to research further information on the effect of an increase in the recordation tax on the average home sale, how the recordation tax affects settlement costs for sellers and buyers (including first-time home buyers), the effect of recordation tax on commercial sales, and a comparison of recordation tax rates in the District of Columbia, Fairfax County, and Arlington County.

### **Issues**

#### **1. What is the need to generate additional revenue for public school construction?**

MCPS student enrollment has grown by 18,702 students since 2007. This year, MCPS is using 381 relocatable classrooms to house 8,700 students. Student enrollment is expected to increase by an additional 10,151 students by 2021-2022. Absent additional revenue, the current backlog of school capacity projects and school revitalization/expansion projects is likely to fall further behind. Both new home sales and home resales often contribute to this student enrollment growth. County School Board President Michael Durso explained the need for additional funding for school capital projects and listed the projects that are likely to be delayed without increased funding in an April 29 letter at ©8-12. Many of the speakers at the public hearing testified about different schools that were currently operating with many more students than the building was designed for.

#### **2. How is the recordation tax paid at settlement?**

At the May 12 worksession, Councilmembers asked for more information on how the recordation tax is paid at settlement. Under Maryland law, the recordation tax can be paid by either the seller or the buyer or a third party. Absent an agreement as to who pays the tax, it must be split evenly between the buyer and the seller unless the seller is a first-time homebuyer in Maryland. If there is no agreement and the buyer is an eligible first-time homebuyer, the seller must pay 100% of the recordation tax. See MD Code, Real Property, § 14-104.

The recordation tax must be paid in order to record the deed in the Circuit Court. The settlement attorney will withhold the amount necessary to pay the tax from the proceeds of the sale divided between seller and buyer as provided by the contract or by law. Therefore, the tax owed by the buyer cannot generally be included as part of the loan. However, in some areas of the County, the seller of a residence will pay a portion of the buyer's settlement costs (which include

the buyer's portion of the recordation tax) in return for a slightly higher sales price as long as the property appraisal is sufficient to cover a larger loan.

For refinancing, the recordation tax is paid only on the amount of the new loan that exceeds the principal amount owed under the old loan. See MD Code, Tax - Property, § 12-108(g). Therefore, a person refinancing a loan on a residential or commercial property would not pay any recordation tax if the new loan is not greater than the amount owed under the old loan. If it is, the person would pay the tax on the difference. If a homeowner refinances a mortgage to gain a better rate and to receive additional funds to pay for home improvements (or any other reason), the homeowner can borrow enough to pay the recordation tax from the proceeds of the loan if the homeowner's equity is large enough.

### **3. How does the County's recordation tax rates compare to other Maryland Counties?**

The chart below shows the current and proposed rates, and those of nearby counties in Maryland. The chart expresses the rates in dollars/thousand dollars of home price or refinancing:

Jurisdiction	Rate
Montgomery (existing)	\$6.90/\$1,000*
	\$10.00/\$1,000**
Montgomery (Bill 15-16)	\$8.40/\$1,000*
	\$13.00/\$1,000**
Montgomery (Bill 15-16 with higher school increment)	\$8.90/\$1,000*
	\$13.50/\$1,000**
Frederick County	\$12.00/\$1,000
Carroll County	\$10.00/\$1,000
Howard County	\$5.00/\$1,000
Prince George's County	\$5.00/\$1,000

\*First \$50,000 exempt for owner-occupied.

\*\*On amount over \$500,000.

Montgomery County's existing rate is higher than Howard and Prince George's Counties, and any increase would create a greater differential. Comparisons to Carroll and Frederick Counties are more nuanced, since Montgomery's rate differs due to the \$50,000 exemption and the higher rate over \$500,000. For example, if Bill 15-16 were enacted with the higher school increment, Montgomery's recordation tax would still be lower than Carroll's on home sales or refinancing less than \$750,000, and lower than Frederick's on home sales or refinancing less than \$1,900,000.

### **4. How does the County's recordation tax rates compare to the District of Columbia, Fairfax County and Arlington County?**

It is often difficult to compare a single tax rate in the County with a similar tax rate in the District of Columbia (DC) or Virginia because their tax structures vary across the board. However, both DC and Virginia have a recordation tax based upon the consideration paid for real property. The DC recordation tax is 1.1 % of consideration or fair market value for residential property transfers less than \$400,000 and 1.45% of consideration or fair market value on the entire amount, if the transfer is greater than \$400,000. This rate is higher than the recordation tax in Bill 15-16.

For example, the tax on a \$400,000 house in DC would be \$4,400. The tax for the same house in Montgomery County if Bill 15-16 is enacted would be \$2,940. For an \$800,000 house in DC, the tax would be \$11,600 and would be \$7,680 in Montgomery County under Bill 15-16.

Virginia's recordation tax is lower than Montgomery County's current recordation tax. Virginia has an online calculator that can be used for different counties in Virginia. For example, the recordation tax on a \$500,000 home in both Fairfax and Arlington Counties would be \$2,959.67. In Montgomery County, the current recordation tax on a \$500,000 home is \$3,105 and would rise to \$3,780 under Bill 15-16. See the calculations for Fairfax at ©80 and Arlington at ©81.

## **5. Why does the Council need to set aside 8.4% of any additional property tax revenue for reserves?**

In FY10, the County experienced an unprecedented \$265 million decline in income tax revenues, and weathered extraordinary expenditure requirements associated with the H1N1 flu virus and successive and historic winter blizzards. Upon the recommendations of the Executive and the County's financial advisor, the Council strengthened its policy on reserves and other fiscal policies to ensure budget flexibility and structural stability by approving Resolution No. 16-415, *Reserve and Selected Fiscal Policies* on June 29, 2010. On November 29, 2011, the Council adopted Resolution No. 17-312, *Reserve and Selected Fiscal Policies*, further strengthening the County's fiscal policies. Resolution No. 17-312 requires the County to place a minimum of 8.4% of adjusted governmental revenues into reserve in FY17 to reach the County's goal of 10% of adjusted governmental revenues in 2020. See Resolution No. 17-312 at ©82-85.

## **6. What are some of the recordation tax/property tax scenarios that could be used to fund the Council's initial reconciliation of the FY17-22 Capital Improvements Program?**

The Council approved an initial reconciliation of the FY17-22 CIP to bring its programmed spending within the approved spending levels and yet maintain an adequate reserve. The initial reconciliation assumes an additional \$196 million in revenue for the CIP over FY17-22. The Office of Management and Budget's Fiscal Impact Statement (©14-16) generally confirms the revenue estimates made by the Bill's sponsor. OMB estimates that the Bill's rates would increase revenue from the school increment by \$125,975,000 over the next six years. By analogy, if this rate were increased by \$1.00/\$500 instead, it would increase revenue by \$167,967,000. OMB projects that the Bill's proposed increase to the Recordation Tax Premium would generate \$64,959,000 over the next six years, to be split evenly between County Government CIP projects and rental assistance.

At its May 12 worksession, Councilmembers discussed the possibility of mixing recordation tax and property tax increases that would generate roughly the same amount of revenue over the next six years as was assumed by the Initial CIP Reconciliation on April 26: \$196 million for the CIP and \$30 million for rental assistance. Council staff has been requested to evaluate the following options:

- Option 1-A: Approve the rates in Bill 15-16 (+\$0.75/\$500 for the school increment and +\$0.75/\$500 for the premium), and raise the remaining revenue with a property surtax. Council staff calculates that the surtax would be 0.39¢/\$100.
- Option 2-A: Increase the school increment rate by a further \$0.25/\$500 (a net increase of \$1.00/\$500) and increase the premium rate as per Bill 15-16 (+\$0.75/\$500). This would not require a property surtax.
- Option 3-A: Increase the school increment rate by a further \$0.25/\$500 (a net increase of \$1.00/\$500), do not increase the premium rate at all, and raise the remaining revenue with a property surtax. Council staff calculates that the surtax would be 0.60¢/\$100.

There was some interest in the possibility of exempting first-time homebuyers. At the worksession Council staff indicated that the revenue loss from such an exemption would be extremely difficult to estimate, and that it could not be done in time for the Council's scheduled action on the Bill on May 18. However, it was suggested that increasing the size of the exemption would be a more progressive means for addressing the same objective. Subsequently, Council staff was asked to develop options that would increase the exemption from \$50,000 to \$100,000:

- Option 1-B: The same as Option 1-A, except to raise the exemption from \$50,000 to \$100,000, and raise the remaining revenue with a property surtax. Council staff calculates that the surtax would be 0.57¢/\$100.
- Option 2-B: The same as Option 1-A, except to raise the exemption from \$50,000 to \$100,000, and raise the remaining revenue with a property surtax. Council staff calculates that the surtax would be 0.18¢/\$100.
- Option 3-B: The same as Option 1-A, except to raise the exemption from \$50,000 to \$100,000, and raise the remaining revenue with a property surtax. Council staff calculates that the surtax would be 0.78¢/\$100.

The chart at ©7 shows, for each of the above six options at several price points, what the recordation tax is for homebuyers at the current rates, what the tax would be with the new rates, and what the increase would be over current rates. The effect of increasing the \$50,000 residence exemption to \$100,000 is significant for lower priced homes. For example, increasing the rates under Bill 15-16 and increasing the exemption to \$100,000 would result in a reduction in the tax for a \$300,000 home from \$1,725 to \$1,680. See Option 1-B at ©7.

Council staff was also asked to explore the possibility of a two-tiered recordation tax premium: the first tier including Bill 15-16's increase for considerations between \$500-\$1 million and a higher increase for considerations over \$1 million. Unfortunately, sufficient data is not available to develop a reliable revenue estimate at this time. A second tier would create even more revenue, and the burden would fall more heavily on commercial developments.

***Reallocation of recordation taxes.*** At the worksession Council staff noted that if any solution involves an increase in the property tax—which is the case for all of the above options except Option 2-A, then it is likely that much or all of the CIP funds associated with that increase (PAYGO and Current Revenue) would be redirected to meet operating budget needs in FY18 and beyond. Councilmember Elrich suggested reallocating the recordation tax in a way that would protect these resources for the CIP.

For example, under Option 1-A \$2.20/\$500 goes to the General Fund, \$2.00/\$500 would go to the school increment, and \$2.30/\$500 (over \$500,000) goes to the premium. Under Option 1-A, a property tax surtax of \$0.39/\$100 (which is equal to the revenue from a further \$0.25/\$500 increase to the school increment) would be needed for the CIP to achieve the revenue needed for the April 26 Initial Reconciliation. However, if the allocation to the General Fund was reduced by \$0.25/\$100 (to \$1.95/\$500) and the school increment was increased by \$0.25/\$500 (to \$2.25/\$500), the property surtax could be allocated to the General Fund. All the revenue increase for MCPS capital projects would be kept within the recordation tax's school increment, which the Bill would reserve solely for MCPS capital projects. At the same time the General Fund would be kept whole: the funds it "loses" in the reallocation would be recouped with the \$0.39/\$100 property surtax.

This type of allocation can be applied to any of the options that include a property surtax. If one of these options is selected, Council staff recommends it be accompanied by such a reallocation.

## **7. Should the Bill be amended to clarify the application of the \$50,000 exemption for an owner-occupied home?**

Scott Foncannon, Acting Chief of the Division of Finance and Procurement in the County Attorney's Office, recommended an amendment to clarify the application of the \$50,000 exemption for an owner-occupied home. See the Bill Review Memo at ©13. Mr. Foncannon recommends the following amendment:

*Amend lines 21-26 as follows:*

- (b) *Exemption.* The first \$50,000 of the consideration payable on the conveyance of any owner-occupied residential property is exempt from the recordation tax if the buyer of that property is an individual and intends to use the property as the buyer's principal residence by actually occupying the residence for at least 7 months of the 12-month period immediately after the property is conveyed.

The County has interpreted this provision to apply to a transfer to an individual and not a trust, and this amendment would codify this interpretation. **Council staff recommendation:** approve the requested amendment.

This packet contains:

Bill 15-16  
Legislative Request Report  
Council President Floreen April 12 Memorandum

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Expedited Bill No. 15-16  
Concerning: Recordation Tax – Rates –  
Allocations - Amendments  
Revised: April 14, 2016 Draft No. 4  
Introduced: April 19, 2016  
Expires: October 19, 2017  
Enacted: [date]  
Executive: [date signed]  
Effective: [date takes effect]  
Sunset Date: None  
Ch. J#1, Laws of Mont. Co. [year]

## COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

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Lead Sponsor: Council President Floreen

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### AN EXPEDITED ACT to:

- (1) increase the rate of the recordation tax levied under state law for certain transactions;
- (2) allocate the revenue received from the recordation tax for certain uses; and
- (3) generally amend the law governing the recordation tax

By amending

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

<b>Boldface</b>	<i>Heading or defined term.</i>
<b>Underlining</b>	<i>Added to existing law by original bill.</i>
<b>[Single boldface brackets]</b>	<i>Deleted from existing law by original bill.</i>
<b>Double underlining</b>	<i>Added by amendment.</i>
<b>[[Double boldface brackets]]</b>	<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 [state law] Md. Tax-Property Code §§12-101 to 12-118, as amended, are:  
5           (1) [\$3.45] for each \$500 or fraction of \$500 of consideration payable  
6 or of 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) \$2.20, of which the net revenue must be reserved for and  
10 allocated to the County general fund; and  
11           (B) \$2.00, 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, an additional [\$1.55] \$2.30 for each \$500 or  
15 fraction of \$500 of the amount over \$500,000, of which the net  
16 revenue must be reserved for and allocated equally to:  
17           (A) the cost of County government capital improvements; and  
18           (B) rent assistance for low and moderate income households,  
19 which must not be used to supplant any otherwise available  
20 funds.  
21           (b) *Exemption.* The first \$50,000 of the consideration payable on the  
22 conveyance of any owner-occupied residential property is exempt from  
23 the recordation tax if the buyer of that property intends to use the property  
24 as the buyer's principal residence by actually occupying the residence for  
25 at least 7 months of the 12-month period immediately after the property  
26 is conveyed.

27           **Sec. 2. Prior allocations.**

1 The allocation of recordation tax revenue made in Section 1 replaces each  
2 allocation of recordation tax revenue established in previously enacted uncodified  
3 legislation.

**Sec. 3. Expedited Effective Date.**

5 The Council declares that this legislation is necessary for the immediate  
6 protection of the public interest. This Act takes effect on the date on which it becomes  
7 law, and applies to any transaction which occurs on or after July 1, 2016.

8      *Approved:*

9

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Nancy Floreen, President, County Council Date

10      *Approved:*

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Isiah Leggett, County Executive Date

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

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Linda M. Lauer, Clerk of the Council Date

## **LEGISLATIVE REQUEST REPORT**

Expedited Bill 15-16  
*Recordation Tax - Rates - Allocations - Amendments*

<b>DESCRIPTION:</b>	Expedited Bill 15-16 would increase the recordation tax rates and allocate the revenue received from the recordation tax. The portion of the base rate allocated to school capital projects would increase from \$1.25/\$500 to \$2.00/\$500 of value, effective July 1, 2016. The Bill would also increase the premium rate charged against sales valued at more than \$500,000 from \$1.55/\$500 to \$2.30/\$500. The revenue received from this premium rate would continue to be shared equally between County capital projects and rent assistance.
<b>PROBLEM:</b>	The County needs to generate additional tax revenue to support MCPS school construction and rent assistance for low and moderate income households in the County.
<b>GOALS AND OBJECTIVES:</b>	Increased funding for MCPS school construction and rent assistance for low and moderate income households in the County.
<b>COORDINATION:</b>	
<b>FISCAL IMPACT:</b>	To be requested.
<b>ECONOMIC IMPACT:</b>	To be requested.
<b>EVALUATION:</b>	To be requested.
<b>EXPERIENCE ELSEWHERE:</b>	To be researched.
<b>SOURCE OF INFORMATION:</b>	Robert H. Drummer, Senior Legislative Attorney
<b>APPLICATION WITHIN MUNICIPALITIES:</b>	To be researched.
<b>PENALTIES:</b>	Not applicable.



MONTGOMERY COUNTY COUNCIL  
ROCKVILLE, MARYLAND

NANCY FLOREEN  
COUNCIL PRESIDENT

MEMORANDUM

April 12, 2016

TO: Councilmembers  
FROM: Nancy Floreen, Council President  
SUBJECT: Proposed increase to the recordation tax

As I talk with residents across the county, it becomes increasingly clear to me that our capital needs, particularly in the areas of school construction and affordable housing, far outweigh our available resources. Times are tough to be sure, but we absolutely must keep up with our obligations in these two important areas. That's why I will introduce a bill to increase the rate of the recordation tax in a progressive way. The recordation tax is paid only when properties are sold or refinanced. While nobody likes the idea of increasing taxes of any kind, our needs are great, and this tax is less likely to affect those Montgomery County residents who are struggling most. On the up side, it will generate millions of dollars to support our desperate need for new schools and educational facility improvements. What's more, a portion of the recordation tax is earmarked for affordable housing. I believe this proposal is the most progressive approach to meeting the needs that our residents have clearly identified as their top priorities.

The attached expedited bill will raise both the School Increment of the Recordation Tax and the Recordation Tax Premium by \$0.75/\$500 each. Over the six-year period these rates will generate an estimated \$155 million more in revenue for the CIP and \$30 million more for rental assistance for low and moderate income households.

There are three elements of the recordation tax:

- The “base” recordation rate is \$2.20/\$500 on the sale price or, if refinancing, on the additional amount borrowed over the remaining principal. (If acquiring a home, the first \$50,000 of the sale cost is exempt.) This bill does not change the “base” rate or how its revenue is allocated.
- The “school increment” went into effect in 2004 and its rate is \$1.25/\$500. It is also based on the sale price or, if refinancing, on the additional amount borrowed over the remaining principal. **This bill would raise the rate to \$2.00/\$500, effective July 1, and would generate \$125 million over the next six years.** Currently the proceeds can be used for any Montgomery County Public Schools capital project and for any Montgomery College

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information technology capital project. This bill would dedicate all the proceeds to MCPS projects; College information technology projects can be funded with general Current Revenue.

- The “Recordation Tax Premium” went into effect in 2008 and its rate is \$1.55/\$500. Unlike the other two elements, the Premium applies only to the cost of a property or a refinancing that is in excess of \$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. This bill would raise the rate to \$2.30/\$500, effective July 1, and would generate \$30 million more for County Government projects and \$30 million more for rental assistance over the next six years. On March 22 the Council heard from Enterprise Community Partners about the need for more affordable housing in Montgomery County and that part of the solution is more money. The Recordation Tax Premium is an important revenue source for the Housing Initiative Fund. It has been used for traditional monthly rental assistance and very effectively at the Bonifant to make many of these new units affordable to very low income seniors. The Department of Housing and Community Affairs has projects in the pipeline that may need \$40 to \$50 million. This funding will help make sure there is adequate funding to move forward when projects and programs are ready.

Raising the two rates maintains a degree of progressivity in the recordation tax. The chart below shows what the burden of the total recordation tax (i.e., all three elements) would be for homes at different sale prices:

	<b>Current Rates</b>	<b>Proposed Rates</b>
\$300,000	\$1,725	\$2,100
\$400,000	\$2,415	\$2,940
\$500,000	\$3,105	\$3,780
\$600,000	\$4,105	\$5,080
\$700,000	\$5,105	\$6,380
\$800,000	\$6,105	\$7,680
\$900,000	\$7,105	\$8,980
\$1,000,000	\$8,105	\$10,280
\$1,100,000	\$9,105	\$11,580
\$1,200,000	\$10,105	\$12,880
\$1,300,000	\$11,105	\$14,180
\$1,400,000	\$12,105	\$15,480
\$1,500,000	\$13,105	\$16,780

**OPTION 1-A**

**Increase Recordation Tax School Increment by \$0.75/\$500 (\$1.50/\$1000)  
and Recordation Tax Premium by \$0.75/\$500 (\$1.50/\$1000)**

**First \$50,000 Exempt; add 0.39¢/\$100 to property tax**

Consideration	Current Rates	New Rates	Increase
\$ 300,000	\$ 1,725	\$ 2,100	\$ 375
\$ 400,000	\$ 2,415	\$ 2,940	\$ 525
\$ 500,000	\$ 3,105	\$ 3,780	\$ 675
\$ 600,000	\$ 4,105	\$ 5,080	\$ 975
\$ 700,000	\$ 5,105	\$ 6,380	\$ 1,275
\$ 800,000	\$ 6,105	\$ 7,680	\$ 1,575
\$ 900,000	\$ 7,105	\$ 8,980	\$ 1,875
\$ 1,000,000	\$ 8,105	\$ 10,280	\$ 2,175
\$ 1,100,000	\$ 9,105	\$ 11,580	\$ 2,475
\$ 1,200,000	\$ 10,105	\$ 12,880	\$ 2,775
\$ 1,300,000	\$ 11,105	\$ 14,180	\$ 3,075
\$ 1,400,000	\$ 12,105	\$ 15,480	\$ 3,375
\$ 1,500,000	\$ 13,105	\$ 16,780	\$ 3,675

**OPTION 1-B**

**Increase Recordation Tax School Increment by \$0.75/\$500 (\$1.50/\$1000)  
and Recordation Tax Premium by \$0.75/\$500 (\$1.50/\$1000)**

**First \$100,000 Exempt; add 0.57¢/\$100 to property tax;**

Consideration	Current Rates	New Rates	Increase
\$ 300,000	\$ 1,725	\$ 1,680	\$ (45)
\$ 400,000	\$ 2,415	\$ 2,520	\$ 105
\$ 500,000	\$ 3,105	\$ 3,360	\$ 255
\$ 600,000	\$ 4,105	\$ 4,660	\$ 555
\$ 700,000	\$ 5,105	\$ 5,960	\$ 855
\$ 800,000	\$ 6,105	\$ 7,260	\$ 1,155
\$ 900,000	\$ 7,105	\$ 8,560	\$ 1,455
\$ 1,000,000	\$ 8,105	\$ 9,860	\$ 1,755
\$ 1,100,000	\$ 9,105	\$ 11,160	\$ 2,055
\$ 1,200,000	\$ 10,105	\$ 12,460	\$ 2,355
\$ 1,300,000	\$ 11,105	\$ 13,760	\$ 2,655
\$ 1,400,000	\$ 12,105	\$ 15,060	\$ 2,955
\$ 1,500,000	\$ 13,105	\$ 16,360	\$ 3,255

**OPTION 2-A**

**Increase Recordation Tax School Increment by \$1.00/\$500 (\$2.00/\$1000)  
and Recordation Tax Premium by \$0.75/\$500 (\$1.50/\$1000)**

**First \$50,000 Exempt; no increase to property tax**

Consideration	Current Rates	New Rates	Increase
\$ 300,000	\$ 1,725	\$ 2,225	\$ 500
\$ 400,000	\$ 2,415	\$ 3,115	\$ 700
\$ 500,000	\$ 3,105	\$ 4,005	\$ 900
\$ 600,000	\$ 4,105	\$ 5,355	\$ 1,250
\$ 700,000	\$ 5,105	\$ 6,705	\$ 1,600
\$ 800,000	\$ 6,105	\$ 8,055	\$ 1,950
\$ 900,000	\$ 7,105	\$ 9,405	\$ 2,300
\$ 1,000,000	\$ 8,105	\$ 10,755	\$ 2,650
\$ 1,100,000	\$ 9,105	\$ 12,105	\$ 3,000
\$ 1,200,000	\$ 10,105	\$ 13,455	\$ 3,350
\$ 1,300,000	\$ 11,105	\$ 14,805	\$ 3,700
\$ 1,400,000	\$ 12,105	\$ 16,155	\$ 4,050
\$ 1,500,000	\$ 13,105	\$ 17,505	\$ 4,400

**OPTION 2-B**

**Increase Recordation Tax School Increment by \$1.00/\$500 (\$2.00/\$1000)  
and Recordation Tax Premium by \$0.75/\$500 (\$1.50/\$1000)**

**First \$100,000 Exempt; add 0.18¢/\$100 to property tax;**

Consideration	Current Rates	New Rates	Increase
\$ 300,000	\$ 1,725	\$ 1,780	\$ 55
\$ 400,000	\$ 2,415	\$ 2,670	\$ 255
\$ 500,000	\$ 3,105	\$ 3,560	\$ 455
\$ 600,000	\$ 4,105	\$ 4,910	\$ 805
\$ 700,000	\$ 5,105	\$ 6,260	\$ 1,155
\$ 800,000	\$ 6,105	\$ 7,610	\$ 1,505
\$ 900,000	\$ 7,105	\$ 8,960	\$ 1,855
\$ 1,000,000	\$ 8,105	\$ 10,310	\$ 2,205
\$ 1,100,000	\$ 9,105	\$ 11,660	\$ 2,555
\$ 1,200,000	\$ 10,105	\$ 13,010	\$ 2,905
\$ 1,300,000	\$ 11,105	\$ 14,360	\$ 3,255
\$ 1,400,000	\$ 12,105	\$ 15,710	\$ 3,605
\$ 1,500,000	\$ 13,105	\$ 17,060	\$ 3,955

**OPTION 3-A**

**Increase Recordation Tax School Increment by \$1.00/\$500 (\$2.00/\$1000)**

**No Increase to Recordation Tax Premium**

**First \$50,000 Exempt; add 0.60¢/\$100 to property tax**

Consideration	Current Rates	New Rates	Increase
\$ 300,000	\$ 1,725	\$ 2,225	\$ 500
\$ 400,000	\$ 2,415	\$ 3,115	\$ 700
\$ 500,000	\$ 3,105	\$ 4,005	\$ 900
\$ 600,000	\$ 4,105	\$ 5,205	\$ 1,100
\$ 700,000	\$ 5,105	\$ 6,405	\$ 1,300
\$ 800,000	\$ 6,105	\$ 7,605	\$ 1,500
\$ 900,000	\$ 7,105	\$ 8,805	\$ 1,700
\$ 1,000,000	\$ 8,105	\$ 10,005	\$ 1,900
\$ 1,100,000	\$ 9,105	\$ 11,205	\$ 2,100
\$ 1,200,000	\$ 10,105	\$ 12,405	\$ 2,300
\$ 1,300,000	\$ 11,105	\$ 13,605	\$ 2,500
\$ 1,400,000	\$ 12,105	\$ 14,805	\$ 2,700
\$ 1,500,000	\$ 13,105	\$ 16,005	\$ 2,900

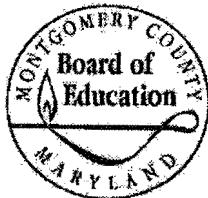
**OPTION 3-B**

**Increase Recordation Tax School Increment by \$1.00/\$500 (\$2.00/\$1000)**

**No Increase to Recordation Tax Premium**

**First \$100,000 Exempt; add 0.78¢/\$100 to property tax;**

Consideration	Current Rates	New Rates	Increase
\$ 300,000	\$ 1,725	\$ 1,780	\$ 55
\$ 400,000	\$ 2,415	\$ 2,670	\$ 255
\$ 500,000	\$ 3,105	\$ 3,560	\$ 455
\$ 600,000	\$ 4,105	\$ 4,760	\$ 655
\$ 700,000	\$ 5,105	\$ 5,960	\$ 855
\$ 800,000	\$ 6,105	\$ 7,160	\$ 1,055
\$ 900,000	\$ 7,105	\$ 8,360	\$ 1,255
\$ 1,000,000	\$ 8,105	\$ 9,560	\$ 1,455
\$ 1,100,000	\$ 9,105	\$ 10,760	\$ 1,655
\$ 1,200,000	\$ 10,105	\$ 11,960	\$ 1,855
\$ 1,300,000	\$ 11,105	\$ 13,160	\$ 2,055
\$ 1,400,000	\$ 12,105	\$ 14,360	\$ 2,255
\$ 1,500,000	\$ 13,105	\$ 15,560	\$ 2,455



## MONTGOMERY COUNTY BOARD OF EDUCATION

850 Hungerford Drive ♦ Room 123 ♦ Rockville, Maryland 20850

April 29, 2016



The Honorable Nancy Floreen, President  
Montgomery County Council  
Stella B. Werner Council Office Building  
100 Maryland Avenue  
Rockville, Maryland 20850

Dear Ms. Floreen:

On behalf of the Board of Education, we greatly appreciate the introduction of Expedited Bill 15-16 that would increase the school increment of the county Recordation Tax from \$1.25/\$500 to \$2.00/\$500 on the sales price of homes. We understand that this bill also will dedicate all of this revenue to Montgomery County Public Schools (MCPS) capital projects. The additional \$125 million over the six-year period will help address the backlog of school capacity projects, revitalization/expansion projects, as well as fund our systemwide systemic projects. Collecting additional revenue from this tax makes sense since the turnover of existing housing units, as well as first-time home sales, results in significant enrollment increases for MCPS. I believe this is an opportune time to raise the Recordation Tax in light of the strong housing market, the magnitude of enrollment increases, and the backlog of school capacity projects. I also believe the time is now to consider increases in the School Impact Tax. Multiple increases in revenue sources are critical to address the challenges facing our school system's facilities.

Since 2007, enrollment has increased by 18,702 students. Despite the opening of a number of new schools, addition projects, and revitalization/expansions since 2007, many of our schools continue to await funding for their capital projects. This year, 381 relocatable classrooms are in use, housing approximately 8,700 students. Without an infusion of new revenue, this situation only will worsen as enrollment is projected to increase by an additional 10,151 students by 2021-2022. Many of the needed capacity projects have been designed, are "shovel-ready," and simply await funding.

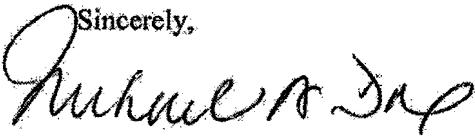
In my letter of April 4, 2016, I provided you with the enclosed list of non-recommended reductions to the *Board of Education's Requested FY 2017 Capital Budget and FY 2017-2022 Capital Improvements Program* (CIP) that would be required to address the \$160.2 million shortfall, based on the county executive's recommended CIP. It is important to note that the Board's requested CIP, at \$1.728 billion, did not include all the projects necessary for our projected space deficits and also did not adequately fund our vital systemic projects. The additional \$125 million generated by approval of Bill 15-16 would be a major step toward closing the funding gap for school facility needs.

The Honorable Nancy Floreen

2

April 29, 2016

The Board of Education appreciates your commitment to the schools of Montgomery County to consider the increase in the school increment of the Recordation Tax to fund our County's capital needs. If you have any questions, please contact Dr. Andrew M. Zuckerman, chief operating officer, at 301-279-3627 or Mr. James Song, director, Department of Facilities Management, at 240-314-1064.

Sincerely,  
  
Michael A. Dursø  
President

MAD:AMZ:alk

Enclosure

**Copy to:**

Members of the County Council  
Members of the Board of Education  
Mr. Bowers  
Dr. Zuckerman  
Mr. Edwards  
Mr. Song  
Mr. Ikheloa

**Councilmanic Districts**  
**Impact of Non-Recommended Reductions on Capital Projects**  
**FY 2017–2022 Capital Improvements Program.**

**District 1**

	School	Project Type	Board of Education's Requested Completion Date	Non-Recommended Reduction Completion Date
1	Winston Churchill High School	PLAR—Running Track Resurface	8/16	8/17
2	Poolesville High School	Revitalization/Expansion	8/23	8/24
3	Thomas W. Pyle Middle School	Addition	8/20	8/21
4	Thomas W. Pyle Middle School	Roof Replacement	8/17	8/18
5	Walt Whitman High School	Addition	8/20	8/22

**District 2**

	School	Project Type	Board of Education's Requested Completion Date	Non-Recommended Reduction Completion Date
1	John T. Baker Middle School	HVAC Replacement Phase I	8/17	8/18
2	John T. Baker Middle School	HVAC Replacement Phase II	8/18	TBD
3	Clarksburg Cluster Elementary School	New School	8/19	8/21
4	Clearspring Elementary School	PLAR—Gym Floor Replacement	8/16	8/17
5	Clearspring Elementary School	PLAR—Emergency Generator	8/16	8/17
6	Captain James Daly Elementary School	PLAR—Emergency Generator	8/16	8/17
7	Dufief Elementary School	Revitalization/Expansion	8/21	8/22
8	Damascus Elementary School	Revitalization/Expansion	1/23	1/24
9	Damascus High School	HVAC Replacement	8/17	8/18
10	Goshen Elementary School	PLAR—Gym Floor Replacement	8/16	8/17
11	Martin Luther King, Jr. Middle School	PLAR—Paint (interior & exterior)	8/17	8/18
12	Dr. Sally K. Ride Elementary School	Roof Replacement	8/18	TBD
13	Lois P. Rockwell Elementary School	HVAC Replacement	8/18	TBD
14	Strawberry Knoll Elementary School	HVAC Replacement	8/18	TBD
15	Watkins Mill Elementary School	PLAR—Walk-In Refrigerator Replacement	8/17	8/18
16	Watkins Mill High School	PLAR—Green House Improvements	8/17	8/18
17	Watkins Mill High School	PLAR—Bridge Walkway Skylight Replacement	8/17	8/18
18	Whetstone Elementary School	HVAC Replacement	8/17	8/18
19	Woodfield Elementary School	PLAR—Concrete Walkway Replacement	8/17	8/18

\*N/A indicates all expenditures removed from the requested CIP and will be reconsidered for funding in a future CIP request.

\*\*TBD indicates countywide systemic projects that are not included in the first two years of the CIP are reevaluated for a completion date in the next CIP.

**Councilmanic Districts**  
**Impact of Non-Recommended Reductions on Capital Projects**  
**FY 2017–2022 Capital Improvements Program**

**District 3**

	School	Project Type	Board of Education's Requested Completion Date	Non-Recommended Reduction Completion Date
1	Thomas S. Wootton High School	Revitalization/Expansion	8/21	8/22
2	Cold Spring Elementary School	Revitalization/Expansion	8/21	8/22
3	Robert Frost Middle School	PLAR—Asphalt (Basketball)	8/16	8/17
4	Rockville High School	Roof Replacement	8/18	TBD
5	Twainbrook Elementary School	Revitalization/Expansion	1/23	1/24
6	Summit Hall Elementary School	Revitalization/Expansion	1/23	1/24

**District 4**

	School	Project Type	Board of Education's Requested Completion Date	Non-Recommended Reduction Completion Date
1	Belmont Elementary School	Revitalization/Expansion	8/21	8/22
2	Brooke Grove Elementary School	HVAC Replacement	8/17	8/18
3	Flower Hill Elementary School	HVAC Replacement	8/18	TBD
4	Flower Hill Elementary School	PLAR—Emergency Generator	8/16	8/17
5	Georgian Forest Elementary School	Roof Replacement	8/18	TBD
6	Laytonsville Elementary School	HVAC Replacement	8/17	8/18
7	Laytonsville Elementary School	PLAR—Window Replacement	8/17	8/18
8	Col. E. Brooke Lee Middle School	Addition	8/20	8/21
9	Olney Elementary School	HVAC Replacement	8/17	8/18
10	Sequoayah Elementary School	HVAC Replacement	8/18	TBD
11	Stonegate Elementary School	Revitalization/Expansion	8/21	8/22
12	Springbrook High School	PLAR—Auditorium Seating and Floor Covering	8/17	8/18

\*N/A indicates all expenditures removed from the requested CIP and will be reconsidered for funding in a future CIP request.

\*\*TBD indicates countywide systemic projects that are not included in the first two years of the CIP are reevaluated for a completion date in the next CIP.

**Councilmanic Districts**  
**Impact of Non-Recommended Reductions on Capital Projects**  
**FY 2017–2022 Capital Improvements Program**

**District 5**

	School	Project Type	Board of Education's Requested Completion Date	Non-Recommended Reduction Completion Date
1	Briggs Chaney Middle School	HVAC Replacement	8/18	TBD
2	Cloverly Elementary School	HVAC Replacement	8/18	TBD
3	East Silver Spring Elementary School	Addition	8/20	N/A
4	Forest Knolls Elementary School	PLAR—Emergency Generator	8/16	8/17
5	Greencastle Elementary School	Addition	8/20	N/A
6	JoAnn Leleck Elementary School at Broad Acres	Roof Replacement	8/17	8/18
7	Montgomery Knolls Elementary School	Addition	8/20	8/22
8	Montgomery Knolls Elementary School	HVAC Replacement	8/18	TBD
9	New Hampshire Estates Elementary School	HVAC Replacement	8/17	8/18
10	Pine Crest Elementary School	Addition	8/20	8/22
11	Piney Branch Elementary School	Addition	8/21	8/23
12	Rosemary Hills Elementary School	Revitalization/Expansion	1/23	1/24
13	Silver Spring International Middle School	Building Modifications and Program Improvements	8/17	N/A
14	Takoma Park Middle School	Addition	8/20	8/21
15	Woodlin Elementary School	PLAR—Floor Covering Replacement	8/17	8/18
16	Woodlin Elementary School	Addition	8/20	N/A

\*N/A Indicates all expenditures removed from the requested CIP and will be reconsidered for funding in a future CIP request.

\*\*TBD Indicates countywide systemic projects that are not included in the first two years of the CIP are reevaluated for a completion date in the next CIP.



OFFICE OF THE COUNTY ATTORNEY

Isiah Leggett  
*County Executive*

Marc P. Hansen  
*County Attorney*

MEMORANDUM

TO: Joseph Beach, Director  
Department of Finance

FROM: Scott R. Foncannon, Acting Chief  
Division of Finance and Procurement

VIA: Edward B. Lattner, Chief  
Division of Government Operations

DATE: April 22, 2016

RE: Bill 15-16E, Recordation Tax – Rates – Allocations - Amendments

I have had an opportunity to review Expedited Bill 15-16, Recordation Tax – Rates – Allocations – Amendments. This bill increases the rates of recordation tax and modifies the allocation of the recordation tax imposed. This bill is authorized by State law and is within the authority of the County Council. The bill is not vague, will not increase or decrease the County's liability exposure and, in my opinion, the bill is constitutional.

Over the years there have been issues with the provisions of 52-16(b). This section creates an exemption for the first \$50,000 of consideration on a conveyance of owner occupied residential property where the buyer intends to use the property as the buyer's principal residence for 7 out of the 12 months immediately after the property is conveyed. This has always been interpreted by the County to only apply to a transfer to an individual and not to a transfer to a trust. I would recommend that an amendment be proposed in line 23 so that this exemption reads, "... if the buyer of that property is an individual and intends to use the property...." With the amendment of this section of the County Code, it will become clear that the exemption applies only to an individual buyer and not to transfers to a trust.

I have no further comments.

cc: Bonnie Kirkland, Assistant Chief Administrative Officer

16-002983  
Bill review

**Fiscal Impact Statement**  
**Bill 15-16E, Recordation Tax – Rates – Allocation - Amendments**

**1. Legislative Summary:**

This legislation would increase the rate of the recordation tax levied by the County under state law and allocate the revenue received from the recordation tax for different uses. Recordation taxes are imposed on the privilege of recording a document among the land records of the County and they are paid when real property is transferred, when the mortgage on real property is refinanced, or when any other instrument of writing securing a debt is recorded.

There are three separate recordation tax rates. The first rate, or base rate, is \$2.20 per \$500 of the consideration in a deed or, if mortgage refinancing, on the additional amount of the debt secured above the existing principle balance. This rate translated into a percentage is 0.44 percent. For purposes of calculating the recordation tax on a deed, the first \$50,000 of the consideration amount is exempt from the tax if the transaction pertains to a buyer of owner-occupied residential property. Bill 15-16 does not change the base rate.

The second rate, or school increment, is \$1.25 per \$500 of the consideration and went into effect in 2004. The rate is based on the same criteria as the base rate. Bill 15-16 proposes to raise the rate from \$1.25 per \$500 to \$2.00 per \$500 – an increase of sixty percent (60%). These rates translated into a percentage is an increase from 0.25 percent to 0.40 percent. Bill 15-16 would dedicate all proceeds from the rate increase to Montgomery County Public Schools capital projects.

The third rate, or the Recordation Tax Premium (“premium”), is \$1.55 per \$500 and went into effect in 2008. The “premium” tax is applied when the consideration is a deed or a mortgage refinancing in excess of \$500,000. Fifty percent (50%) of the premium funds County Government capital projects and fifty percent (50%) funds rent assistance. Bill 15-16 proposes to raise the premium rate from \$1.55 per \$500 to \$2.30 per \$500 – an increase of over forty-eight percent (48.4%). These rates expended as a percentage would increase from 0.31 percent to 0.46 percent.

**2. An estimate of changes in County revenues and expenditures regardless of whether the revenues or expenditures are assumed in the recommended or approved budget. Includes source of information, assumptions, and methodologies used.**

The Department of Finance (Finance) confirms the fiscal impact from Bill 15-16 as estimated by County Council staff of \$125.975 million for the school increment and \$64.959 million for the “premium” that are based on the percent increases in the second and third rates to the revenue forecasts for the School CIP and the premium submitted in the County Executive’s FY17 Recommended Capital Budget. Finance assumes that the revenue forecasts prepared by County Council staff do not affect the economic assumptions for residential and non-residential transactions prepared for the County Executive’s FY17 Recommended Capital Budget. In other words, that the increase in the rate schedule will have no material behavioral impact on the number and amount of transactions subject to the recordation tax.

**3. Revenue and expenditure estimates covering at least the next 6 fiscal years.**

The estimated additional revenues from the increase in the school increment are \$125.975 million from FY2017 to FY2022. The estimated additional revenues from the increase in the “premium” are \$64.959 million from FY2017 to FY2022. The estimated revenues by fiscal year are as follows:

- School incremental increase:
  - FY17: +\$18.712 million
  - FY18: +\$19.369 million
  - FY19: +\$20.368 million
  - FY20: +\$20.893 million
  - FY21: +\$22.536 million
  - FY22: +\$24.097 million
- Premium increase:
  - FY17: +\$9.649 million
  - FY18: +\$9.987 million
  - FY19: +\$10.503 million
  - FY20: +\$10.773 million
  - FY21: +\$11.620 million
  - FY22: +\$12.427 million

**4. An actuarial analysis through the entire amortization period for each bill that would affect retiree pension or group insurance costs.**

Not applicable

**5. An estimate of expenditures related to County’s information technology (IT) systems, including Enterprise Resource Planning (ERP) systems.**

There are no additional expenditures related to the County’s information (IT) systems including ERP.

**6. Later actions that may affect future revenue and expenditures if the bill authorizes future spending.**

Finance, which administers this tax, does not expect later actions that may affect future revenue and expenditures.

**7. An estimate of the staff time needed to implement the bill.**

There is no additional staff time required of Finance to implement Bill 15-16.

**8. An explanation of how the addition of new staff responsibilities would affect other duties.**

Not applicable

**9. An estimate of costs when an additional appropriation is needed.**

Not applicable

**10. A description of any variable that could affect revenue and cost estimates.**

As noted in item #2, the revenue estimates are based on economic assumptions prepared for the County Executive's FY17 Recommended Capital Budget. However, there may be instances where the higher recordation tax, and therefore higher closing cost, could have an impact on the sale or sales price of a property.

**11. Ranges of revenue or expenditures that are uncertain or difficult to project.**

Because the estimates prepared for Bill 15-16 are a six-year forecast, there are always uncertainty with any forecasts of revenues whether in the short- or long-term.

**12. If a bill is likely to have no fiscal impact, why that is the case.**

Bill 15-16 will have a fiscal impact

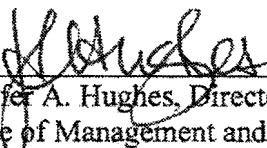
**13. Other fiscal impacts or comments.**

Not applicable

The following contributed to and concurred with this analysis:

David Platt, Mike Coveyou, and Rob Hagedoorn, Finance

Jane Mukira, Mary Beck, OMB

  
\_\_\_\_\_  
Jennifer A. Hughes, Director  
Office of Management and Budget

5/10/16

Date

**Economic Impact Statement**  
**Bill 15-16E, Recordation Tax – Rates – Allocations – Amendments**

**Background:**

This legislation would increase the rate of the recordation tax levied by the County under state law and allocate the revenue received from the recordation tax for different uses. Recordation taxes are imposed on the privilege of recording a document among the land records of the County and they are usually paid when real property is transferred, if the mortgage on real property is refinanced, or if any other instrument of writing securing a debt is recorded.

There are three separate recordation tax rates. The first rate, or base rate, is \$2.20 per \$500 of the consideration in a deed or, if mortgage refinancing, on the additional amount of the debt secured above the existing principle balance. This rate translated into a percentage is 0.44 percent. For purposes of calculating the recordation tax on a deed, the first \$50,000 of the consideration amount is exempt from the tax if the transaction pertains to a buyer of owner-occupied residential property. Bill 15-16 does not change the base rate.

The second rate, or school increment, is \$1.25 per \$500 of the consideration and went into effect in 2004. The rate is based on the same criteria as the base rate. Bill 15-16 proposes to raise the rate from \$1.25 per \$500 to \$2.00 per \$500 – an increase of sixty percent (60%). These rates translated into a percentage is an increase from 0.25 percent to 0.40 percent. Bill 15-16 would dedicate all proceeds from the rate increase to Montgomery County Public Schools capital projects.

The third rate, or the Recordation Tax Premium (“premium”), is \$1.55 per \$500 and went into effect in 2008. The “premium” tax is applied when the consideration is a deed or a mortgage refinancing in excess of \$500,000. Fifty percent (50%) of the premium fund County Government capital projects and fifty percent (50%) fund rent assistance. Bill 15-16 proposes to raise the premium rate from \$1.55 per \$500 to \$2.30 per \$500 – an increase of over forty-eight percent (48.4%). These rates translated into a percentage is an increase from 0.31 percent to 0.46 percent.

**1. The sources of information, assumptions, and methodologies used.**

Sources of information used in the preparation of the economic impact statement are:

- Greater Capital Area Association of Realtors (GCAAR),
- Maryland Association of Realtors (MAR),
- “The Behavioral Response to Housing Transfer Taxes: Evidence from a Notched Change in D.C. Policy”, Working Paper, Joel Slemrod, et. al., February 2016,
- “The effects of land transfer taxes on real estate estimate markets: Evidence from a natural experiment in Toronto”, Working Paper 423, Department of Economics, University of Toronto, February 14, 2011, and
- “Potential Impacts of Increases in Real Estate Transfer Taxes,” National Association of Realtors, 2003.

**Economic Impact Statement**  
**Bill 15-16E, Recordation Tax – Rates – Allocations – Amendments**

The Department of Finance (Finance) confirms that the increase in revenues from Bill 15-16 as estimated by County Council staff is based on the percent increases in the second and third rates to the revenue forecasts for the School CIP and the premium submitted in the County Executive's FY17 Recommended Capital Budget. Finance assumes that the revenue forecasts prepared by County Council staff do not affect the economic assumptions for residential and non-residential transactions prepared for the County Executive's FY17 Recommended Capital Budget. In other words, that the increase in the rate schedule will have no material behavioral impact on the number and amount of transactions subject to the recordation tax.

**2. A description of any variable that could affect the economic impact estimates.**

The variables that could affect the economic impact estimates are the responses to real estate transactions and the real estate market, both sales and sales prices, from the increase in both the school increment rate of sixty percent and the premium of over forty-eight percent. Specifically, the proposed rates would increase the closing costs to both buyers and sellers.

**3. The Bill's positive or negative effect, if any on employment, spending, savings, investment, incomes, and property values in the County.**

Finance estimates that the closing costs from both recordation and transfer taxes for selected residential sales would increase from \$300 for a sales price of \$250,000, or 21.7 percent, to \$2,175 for a sales price of \$1 million, or 26.8 percent. For non-residential properties, the closing cost would increase \$375 for commercial properties with a sales price of \$250,000, or 21.7 percent, to \$149,250, or 29.9 percent, for commercial properties with a sales price of \$50 million.

Based on those estimates, the average effective tax rate for residential sales would increase from 0.55 percent to 0.67 percent for property with a sales price of \$250,000 and from 0.81 percent to 1.03 percent for property with a sales price of \$1 million. The effective tax rate for non-residential sales would increase from 1.00 percent to 1.30 percent for properties with a sales price of \$50 million. This also confirms that the recordation taxes are progressive in terms of sales prices under both current and proposed rates.

While Bill 15-16 will increase the closing costs for both residential and non-residential transactions, the legislation would have no impact on employment, savings, and non-real estate investment, and incomes in the County. However, the effect of an increase in the closing costs could have a modest impact on real estate sales and property values. Without historical County data on the responses of real estate transactions to rate increases, estimates of such increases on the number and value of transactions is difficult to measure with any specificity.

**Economic Impact Statement**  
**Bill 15-16E, Recordation Tax – Rates – Allocations – Amendments**

**4. If a Bill is likely to have no economic impact, why is that the case?**

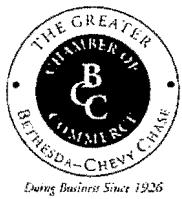
Bill 15-16 could have a modest impact on sales prices and number of residential and non-residential transactions but no impact on the County's employment, savings, investment, and incomes.

**5. The following contributed to or concurred with this analysis:** David Platt and Robert Hagedoorn, Finance.

*For*

  
Joseph P. Beach, Director  
Department of Finance

*5/9/16*  
Date



# THE GREATER BETHESDA-CHEVY CHASE CHAMBER OF COMMERCE

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Bethesda, MD 20814  
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[www.bccchamber.org](http://www.bccchamber.org)

Your Business Is  
Our Only Business

**THE GREATER BETHESDA CHAMBER OF COMMERCE  
TESTIMONY BY JANE FAIRWEATHER  
ON EXPEDITED BILL 15-16: RECORDATION TAX – RATES ALLOCATIONS - AMENDMENTS  
BEFORE THE MONTGOMERY COUNTY COUNCIL  
MAY 10, 2016**

Good afternoon. I am Jane Fairweather, a member of the Executive Board of The Greater Bethesda Chamber of Commerce, and I am here to testify on behalf of our 600 plus member organizations in opposition to Expedited Bill 15-16.

The piece of legislation you have before you would increase recordation tax rates in certain instances by 22% to 48%. While we applaud the Council's interest in maintaining quality schools in Montgomery County, with this increased recordation tax we are chasing away the very families who would benefit from living here and attending these schools.

There is no dispute that the County is in need of affordable housing, a strongly held belief and goal that all of us in the housing industry support. However, out there in the real world, as elected officials, you must understand that even for those people who are trying to purchase market rate units, the current costs are almost untenable and becoming even more so, particularly for first time home buyers. A report released last week by Trulia indicated that Silver Spring tops the list when it comes to metro areas nationwide where low-income residents have been priced out of the market. When you add the fact that Maryland has the highest closing costs in the region, you harm the least capable that you claim to care about the most.

15 years ago, the State of Maryland recognized the burden high costs placed on first time buyers and passed the First Time Maryland Home Buyers Act. This legislation allows first time buyers in Maryland to get a significant discount on their transfer taxes in an effort to encourage more home buyers to settle here. Even with this discount, we still have the highest closing costs in the region.

Many borrowers already have difficulty accumulating the cash needed to enter the housing market the first time. Of note as well, is the fact that in Northern Virginia and DC, real estate taxes are paid in arrears, while in Maryland they are paid in advance, thereby requiring a buyer in Maryland to be responsible for 9-10 months of taxes delivered in cash at settlement. By increasing recordation taxes, you will greatly harm first time and mid-level buyers who are already disadvantaged by the loss of entry level homes and escalating prices. The proposed companion increase in the property tax rate this year will deal an even stronger blow at closing, given that buyers are not eligible for the homestead exemption in that first year. It will also have an impact on sellers since the typical transaction splits transfer and recordation costs 50/50. An analysis by GCAAR points out that if passed, recordation costs will increase approximately 22% on homes \$500,000 and below which translates into a \$675 increase on a \$500,000 home and 48% on every dollar over \$500,000. This means a \$1275 increase on a \$700,000 home, and \$2000 on a \$950,000 home. These are significant amounts that will, without question, impact the recovering housing market.

During a time when we are trying to send a message that Montgomery County is open for business and seeks to welcome new businesses through our newly privatized economic development vehicle, we seem to be ignoring the fact that when businesses evaluate relocation, the future housing needs of their employees is a tangible item to consider. With higher transactional costs already associated with Montgomery County before the advent of this bill, why would we be moving in this direction, which is at cross purposes with our economic development strategies?

The business community is witness to many such conflicting policies in the County that make it increasingly difficult and expensive to operate a successful enterprise within our borders. We need some help, not additional burdensome costs.

We thank you for the opportunity to present these comments.



**Greater Capital Association of REALTORS® (GCAAR)**  
**Expedited Bill 15-16, "Recordation Tax -Rates -Allocations -Amendments"**  
**Position: STRONG OPPOSITION**  
**May 10, 2016**

Honorable Councilmembers, my name is Peg Mancuso, I am the president of Greater Capital Area Association of REALTORS® and am testifying on their behalf. GCAAR represents nearly 10,000 REALTORS® and real estate professionals. We are also the voice for **thousands** of buyers, sellers and homeowners. While currently serving as GCAAR's President, I also bring over 30 years' experience in real estate in Montgomery County.

First and foremost, GCAAR maintains an absolute commitment to fostering a world class public school system in Montgomery County. Vibrant public schools are a critical investment in our youth and, thus, the future well-being of the entire County. We recognize MCPS' success is a public trust and responsibility, and current construction challenges present obstacles we all must be committed to solving.

**With that understanding, GCAAR is firm in its belief that President Floreen's idea to generate financing by placing a disproportionate burden on homeownership is neither sound nor fair, and we must vehemently oppose the proposed recordation tax increase.** This Expedited Bill not only pays for school improvements, but other government expenditures at the expense of a targeted segment of the population: those purchasing, selling and refinancing homes.<sup>1</sup>

Just as education is of critical importance to the future of the County, the investment in homeownership is a constant positive force in our communities. Homeowners across the economic spectrum contribute immensely to Montgomery County's revenue stream, not just via the taxes they pay but also local businesses they own and support.<sup>2</sup>

Recordation taxes in the county are **ALREADY** among the **highest in the country<sup>3</sup>**, and despite being dedicated in large part to education, this Bill would instantly increase those taxes by an astronomical **22%**, with a **48% rise** on the rate for the valuation of properties over the first \$500,000.<sup>4</sup>

<sup>1</sup> Just to further clarify, transfer and/or recordation taxes differ from ordinary property taxes in that the transfer or recordation tax is a one-time payment made at the transfer of the land. It is a common misconception that these taxes are amortized into the mortgage or capitalized into to the price of the property. This difference significantly affects the stability of tax revenue—transactions actually need to transpire for a jurisdiction to collect transfer or recordation taxes. Excessive dependence on these as a significant share of government revenue is risky given the ups and downs of real estate markets and transactions.

<sup>2</sup> It should be noted that when properties are sold, the revenue contributions of new property owners are invaluable to Montgomery County's economy. Residential buyers invest millions of dollars in retail as they make improvements and decorate their new homes (e.g., sales tax revenue and increase in property value assessment revenue).

<sup>3</sup> The Federal Government and 14 States have already done away with recordation and transfer taxes altogether, with four of them going so far as to pass Constitutional amendments against their creation.

<sup>4</sup> GCAAR's calculation is on the "base" recordation rate of \$2.20/\$500 on the sale price or, if refinancing, on the additional amount borrowed over the remaining principal. Currently, the "school increment" is \$1.25/\$500. The introduced Bill would raise the rate by \$.75 to \$2.00/\$500.

Why are the homeowners we continually strive to usher into Montgomery County being asked to bear such a disproportionate load?<sup>5</sup> All residents will benefit from public service improvements, therefore we all should be invested in paying for them.

GCAAR also finds it inconceivable, nay incomprehensible, that the Council would consider pushing through a \$185 million tax increase on homeownership in less than a month's time. Such a significant surge in tax rates would present immediate challenges to all homeowners, but would be particularly onerous for first-time homebuyers, seniors, and any resident who needs to access the equity in their home to pay for a challenge or change in real life circumstances, such as college and medical emergencies. These are **people** being affected, not just ATM machines.<sup>6</sup>

Further, if the Council is looking for more revenue, there can be equitable and broad based funding solutions. Using the narrow approach of solely raising recordation taxes to fund the County's most valuable asset is short-sighted and unpredictable.<sup>7</sup> The constant need for funding improvements to our schools deserves a more measurable revenue stream.<sup>8</sup>

In conclusion, GCAAR is entirely committed to finding funding solutions for MCPS. However, we do not believe overburdening those who make long term investments in our County is neither just nor prudent.<sup>9</sup> Homeownership is one of the best opportunities for people to maintain security and build equity—not a piggy bank for the Council to use at whim.

There must be a better way—let's find it together.

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*The "Recordation Tax Premium" is \$1.55/\$500 and applies to the amount in excess of \$500,000. The introduced Bill would also raise that rate by \$.75 to \$2.30/\$50).*

*<sup>5</sup> We understand there are many factors that determine the jurisdictions to which residents will move, but you have heard innumerable times that taxes play a significant part in that decision. ANY increase in recordation and transfer tax rates from this point forward would prove counterproductive by limiting homeownership and reducing mobility.*

*<sup>6</sup> See also comparative example of a \$450k home and a \$750k. It should be noted, however, that Montgomery County's average sales home price is currently approximately \$474k, which is significantly more than all of our neighboring jurisdictions—even Howard County (see March 2016 Housing Statistics). Even if those other jurisdictions doubled their recordation and transfer taxes, they would likely still pay less than Montgomery County currently does.*

*<sup>7</sup> The National Association of REALTORS® has also done an extensive study on the negative effects of recordation and transfer taxes throughout the nation available for your review at <http://archive.realtor.org/sites/default/files/retransfertaxes.pdf>. There you can also review a more comprehensive overview of how recordation and transfer taxes are narrowly based taxes resulting in "deadweight loss of taxation." Source: National Association of REALTORS®, Potential Impacts of Increase in Real Estate Transfer Taxes (August 2003.)*

*<sup>8</sup> It is also important to note that based on the most recent housing statistics (see attached), Montgomery County's average home sales price has actually decreased by over \$25k. This is significant, considering that recordation and transfer taxes are dependent on the sales price of a home.*

*<sup>9</sup> From a policy perspective, recordation and transfer taxes are characteristically discriminatory because they single out one particular type of asset and activity—the purchase of real estate. How is it fair to punitively tax real estate transactions out of the millions of other transactions that take place in Montgomery County every year? Recordation and transfer taxes blatantly discriminate against buying a home versus buying some other type of asset such as stocks, bonds, or other ownership interest purchases. Why are we choosing to discriminate those who want to invest their families in Montgomery County?*

*From the real estate market perspective, if people cannot move up from starter homes, it actually has negative effects on overall affordable housing perspectives because there will be less affordable housing stock available. Those who have the ability to move from their older properties may also be hesitating because of all the costs associated—stifling the improvement of these properties.*

## Housing Statistics: March 2016

	Units			Average Price			Median Price			Pending Units		Active Inventory		Months of Inventory*	
	2016	2015	% Chg	2016	2015	% Chg	2016	2015	% Chg	2016	2015	2016	2015	2016	2015
Allegany	32	37	-13.5%	\$76,720	\$69,787	9.9%	\$59,950	\$56,000	7.1%	57	70	463	525	14.5	14.2
Anne Arundel	679	556	22.1%	\$341,773	\$355,516	-3.9%	\$300,000	\$299,450	0.2%	1047	866	2508	2736	3.7	4.9
Baltimore City	640	641	-0.2%	\$148,063	\$146,683	0.9%	\$107,450	\$87,500	22.8%	996	946	3144	3028	4.9	4.7
Baltimore County	757	688	10.0%	\$248,847	\$251,879	-1.2%	\$212,000	\$208,350	1.8%	1275	1051	2650	2659	3.5	3.9
Calvert	113	93	21.5%	\$315,234	\$298,730	5.5%	\$285,000	\$273,000	4.4%	207	158	614	697	5.4	7.5
Caroline	20	34	-41.2%	\$143,641	\$155,268	-7.5%	\$120,000	\$155,700	-22.9%	51	46	235	278	11.8	8.2
Carroll	185	158	17.1%	\$324,636	\$269,370	20.5%	\$292,500	\$259,250	12.8%	310	242	759	827	4.1	5.2
Cecil	78	74	5.4%	\$213,869	\$188,833	13.3%	\$204,000	\$180,000	13.3%	150	118	660	721	8.5	9.7
Charles	204	172	18.6%	\$270,034	\$254,244	6.2%	\$260,000	\$249,692	4.1%	295	275	818	777	4.0	4.5
Dorchester	33	38	-13.2%	\$112,551	\$158,371	-28.9%	\$82,854	\$137,500	-39.7%	34	36	316	336	9.6	8.8
Frederick	297	276	7.6%	\$292,458	\$284,984	2.6%	\$260,000	\$260,500	-0.2%	481	405	1140	1034	3.8	3.7
Garrett	31	26	19.2%	\$251,966	\$330,370	-23.7%	\$190,000	\$305,000	-37.7%	55	28	415	444	13.4	17.1
Harford	274	219	25.1%	\$235,286	\$254,800	-7.7%	\$224,000	\$230,000	-2.6%	411	331	1175	1252	4.3	5.7
Howard	281	270	4.1%	\$425,222	\$391,038	8.7%	\$373,000	\$365,162	2.1%	514	425	992	1010	3.5	3.7
Kent	14	21	-33.3%	\$150,056	\$259,248	-42.1%	\$120,000	\$180,000	-33.3%	48	28	322	338	23.0	16.1
Montgomery	841	836	0.6%	\$473,902	\$499,348	-5.1%	\$385,000	\$397,450	-3.1%	1453	1310	2519	2504	3.0	3.0
Prince George's	719	705	2.0%	\$240,076	\$234,460	2.4%	\$234,900	\$224,900	4.4%	1312	1119	1699	1638	2.4	2.3
Queen Anne's	46	52	-11.5%	\$409,604	\$249,843	63.9%	\$292,500	\$235,000	24.5%	95	86	511	633	11.1	12.2
Somerset	19	24	-20.8%	\$140,847	\$95,117	48.1%	\$76,000	\$65,200	16.6%	25	23	205	218	10.8	9.1
St. Mary's	102	91	12.1%	\$281,435	\$252,750	11.3%	\$261,250	\$230,000	13.6%	175	145	684	711	6.7	7.8
Talbot	47	45	4.4%	\$357,817	\$310,271	15.3%	\$270,000	\$270,200	-0.1%	66	48	482	514	10.3	11.4
Washington	139	131	6.1%	\$167,606	\$166,720	0.5%	\$140,500	\$149,900	-6.3%	235	187	745	833	5.4	6.4
Wicomico	90	84	7.1%	\$140,321	\$149,898	-6.4%	\$142,000	\$151,950	-6.5%	122	105	555	578	6.2	6.9
Worcester	131	146	-10.3%	\$253,766	\$237,228	7.0%	\$224,900	\$210,500	6.8%	219	192	1536	1748	11.7	12.0
<b>MARYLAND</b>	<b>5,772</b>	<b>5,417</b>	<b>6.6%</b>	<b>\$291,025</b>	<b>\$288,911</b>	<b>0.7%</b>	<b>\$252,068</b>	<b>\$246,361</b>	<b>2.3%</b>	<b>9,633</b>	<b>8,240</b>	<b>25,147</b>	<b>26,039</b>	<b>4.4</b>	<b>4.8</b>

Reported by MRIS and Coastal Association of Realtors. NOTE: UNITS ARE THE "UNITS" SOLD, PENDING ARE UNDER CONTRACT

\*Months of inventory based on current active inventory and monthly sales for the corresponding month; Data are revised on a regular basis. Readers of these reports should note that older reports have not been adjusted to reflect these revised data. This report, however, contains the latest reliable data to date.



May 9, 2016

Montgomery County Board of Education  
Carver Educational Services Center  
850 Hungerford Drive, Room 123  
Rockville, MD 20850

Montgomery County Council of PTAs  
Upcounty Regional Services Center  
12900 Middlebrook Road, 3<sup>rd</sup> Floor  
Germantown, MD 20984

***Re.     Invitation to Work Together on Stable and Equitable Funding Solutions for MCPS***

Honorable Members of the Montgomery County School Board and Council of PTAs:

I am reaching out to you on behalf of the Greater Capital Area Association of REALTORS® (GCAAR). Our Association, along with our 10,000 members, extends our solid commitment to ensuring Montgomery County Public Schools remain amongst the best in the nation. We know MCPS is facing serious challenges in financing vital capital improvements. In an effort to find secure and adequate funding solutions, we would like to work together.

GCAAR values investments in education. Our public schools embody an exemplary system where students of all backgrounds are able to attain a world-class education without concern over cost. For the homebuyers and renters we serve (specifically those with or planning to have children), it is often why they choose to build their lives in Montgomery County. Overall, a vibrant school system fosters communities, feeds local businesses and benefits the entire County. Our schools' success is a public responsibility and current construction challenges present obstacles we all must be committed to solving. It is unacceptable an institution as critical as MCPS is unable to operate at its full potential.

However, we do not believe Council President Floreen's idea to generate monies solely taxing homebuyers alone is a fair nor stable way to fund our school construction needs. Just as education is of critical importance, homeownership also positively impacts the quality of life in our community. To illustrate, the County has over 1,000,000 residents and tens of thousands of businesses and employees. The proposed tax would put the burden of generating new school construction money ONLY on those buying, selling, or refinancing a home. Why are we asking the few, who are already taking on a life-changing event (buying or selling a home, refinancing their home for education, health or other family reasons) to pay for the entire community's school needs? Aren't we all in this together?

Further, economic circumstances change from year to year, and sales prices can fluctuate. It is difficult for both County analysts and real estate professionals to accurately predict revenue from home sales. Using a narrow approach such as recordation taxes to fund the County's most valuable asset is short-sighted, uncertain and imbalanced: let's find a more equitable, across the board and balanced approach.

While it is unfortunate GCAAR was not involved in any of the funding conversations to date, it is not too late. We respectfully ask for a thoughtful discussion on developing a more equitable, across the board, predictable plan to support our schools. We are confident our shared commitment to our youth and schools will lead to better solutions. We look forward to setting up a meeting as soon as possible.

Sincerely,  
Peg Mancuso, 2016 GCAAR President Contact: [ekrauze@gcaar.com](mailto:ekrauze@gcaar.com)

Before the Montgomery County Council  
Expedited Bill 15-16 – Recordation Tax – Rates – Allocations - Amendments  
SUPPORT

March 6, 2016

Dear Councilmembers,

It is with great respect for the work that you do in balancing the needs of our wonderful county, that I write this testimony to ask for your help for our schools. I applaud Council President, Nancy Floreen, for introducing this bill to increase the Recordation Tax. It is essential that the council fully fund the Board of Education's request for Capital Improvements in our schools and the Recordation Tax is a step in that direction.

For those who say that the Recordation Tax increase will lead to a decline in home sales, I ask them to consider whether home sales would also be impacted by a decline in the school system which is the inevitable result of not fully funding MCPS. Parents in MCPS schools have been outspoken this year because we are not okay with the decline in our school system. We have seen that year after year, the County Council and Board of Education have not been able to increase funding for our schools in large part because of revenue shortages in our county.

One of the projects in the BOE's CIP request is an addition which would partially relieve the capacity problem at my son's school, Rolling Terrace Elementary.

The needs at Rolling Terrace are much more dire than the MCPS numbers suggest. **Rolling Terrace currently has about 900 students.** Our building has classroom space for 747 students and so MCPS calculates our building as about 153 students over-capacity. But our school is actually more than 250 students over the school's core capacity.

Core spaces are the shared spaces in the school: the cafeteria, the gym, the field and playground space, media center, bathrooms and pull-out spaces. Although MCPS calculates Rolling Terrace as being able to fit 747 students into classroom spaces, they have only provided us with enough **core space for 640 students (this is our "core capacity" number).** So, we are actually looking at a number of more than 250 over core capacity.

Why does this matter? Because elementary school students at Rolling Terrace begin eating lunch at 10:15 when they finished eating school breakfast at 9. Every day, students waste valuable learning time waiting in bathroom lines. Administrators spend more time solving space and scheduling issues and less time working with teachers to

improve their teaching. If it's been raining, parents walk through inches of mud to pick up their kids at the end of the school day because there is no more grass on the field. We even have ESOL students who are receiving pull-out services in what used to be a closet.

If the Board of Education CIP request is fully funded, Rolling Terrace will receive some relief for this overcapacity in 2020. However, the proposed tax increases still fall short of fully funding the Board of Education's CIP requests. On April 14<sup>th</sup>, you received a "Non-Recommended Capacity Project Delays" list from MCPS (see attachment) and the Rolling Terrace relief project is on this list. Because of this document, Deputy Council Administrator Glenn Orlin proposed a two-year delay of the project that would relieve Rolling Terrace (reconciliation memo dated April 22). **The conditions at Rolling Terrace cannot wait another two years. We need the money for the CIP projects now. Please fully fund the BOE requests through the Recordation Tax, the Property Tax, or whatever else it will take. Our students are the future of this county and they are in need of your full support.**

Sincerely,



Lisa Seigel

Mom to Auden (in 3<sup>rd</sup> grade at RTES) and Juno (incoming Kindergartner at RTES)  
Rolling Terrace PTA President

Attached: *Impact of Non-recommended Capacity Project Delays* (MCPS, April 14, 2016)

## Impact of Non-recommended Capacity Project Delays

April 14, 2016

Schools with substantial space deficits are highlighted in bold.

Type of Project and Length of Non-recommended Delay By School	Board of Education CIP Requested Completion Date	Non-recommended Completion Date	Space Deficit at School in Year Prior to BOE Requested Completion Date	Space Deficit at School in Year Prior to Non-recommended Completion Date
<b>New Capacity Projects</b> <i>Delayed by two years</i>				
<b>New School:</b> Clarksburg Cluster ES (Relieves Cedar Grove, Clarksburg and Wims elem.)	August 2019	August 2021	-202 seats at Cedar Grove ES -106 seats at Clarksburg ES -327 seats at Wilson Wims ES	-178 seats at Cedar Grove ES -240 seats at Clarksburg ES -322 seats at Wilson Wims ES
<b>Additions:</b> Montgomery Knolls ES & Pine Crest ES (Additions relieve Forest Knolls ES and Pine Crest ES)	August 2020	August 2022	-115 seats at Pine Crest ES -221 seats at Forest Knolls ES	-100 seats at Pine Crest ES -176 seats at Forest Knolls ES
Piney Branch ES	August 2021	August 2023	- 121 seats	- 129 seats in sixth year
Walt Whitman HS	August 2020	August 2022	-311 seats	-340 seats
<b>Capacity Projects</b> <i>Delayed by one year</i>				
<b>Additions:</b> Thomas W. Pyle MS	August 2020	August 2021	- 311 seats	-293 seats
Col. E. Brooke Lee MS	August 2020	August 2021	-186 seats	-262 seats
Takoma Park MS	August 2020	August 2021	-282 seats	-330 seats
<b>Capacity Projects</b> All expenditures removed from CIP	If this is approved it would leave RTES with ~250 students over core capacity.			2 more years being over 250 students over core capacity
<b>Additions:</b> + East Silver Spring ES (Addition relieves Rolling Terrace ES)	August 2020	Removed from CIP	-149 seats at Rolling Terrace ES	- 128 seats in sixth year
Greencastle ES	August 2020	Removed from CIP	-132 seats	-134 seats
Woodlin ES	August 2020	Removed from CIP	-130 seats	-127 seats
<b>Revitalization/Expansion Projects</b>				
<i>One year delay for elementary schools and high schools</i>				
Cold Spring ES	August 2021	August 2022	no space deficit	no space deficit
DuFief ES (relieves Carson ES)	August 2021	August 2022	- 331 seats at Carson ES	-323 seats at Carson ES
Belmont ES	August 2021	August 2022	no space deficit	no space deficit
Stonegate ES	August 2021	August 2022	-48 seats	-45 seats
Damascus ES	January 2023	January 2024	-9 seats in sixth year	-9 seats in sixth year
Twinbrook ES	January 2023	January 2024	-1 seat in sixth year	-1 seat in sixth year
Summit Hall ES	January 2023	January 2024	-191 seats in sixth year	-191 seats in sixth year
Rosemary Hills ES	January 2023	January 2024	no space deficit	no space deficit
Wootton HS	August 2022	August 2023	-70 seats in sixth year	- 70 seats in sixth year
Poolesville HS	"August 2024	August 2025	-25 seats in sixth year	-25 seats in sixth year

Note: Enrollment projections in the CIP extend six years, to the 2021–2022. In cases where a capacity project is delayed beyond the six years, the space available or deficit in the sixth year of the projection is shown.

## TESTIMONY IN OPPOSITION

**Bill 15-16, "Recordation Tax -Rates -Allocations –Amendments"**

**Tuesday, May 10, 2016**

**Susann Haskins**

Council President Floreen and members of the Montgomery County Council, thank you for the opportunity to present before you today. My name is Susann Haskins and I am a concerned Montgomery County resident. I have lived here since 1985 and worked in real estate for the last 30 years. Prior to that, I taught children with learning disabilities. I have a Master's degree in Special Education and a deep commitment to public education. In fact, three of my children attended Montgomery County Public Schools.

Based on my experience managing a large residential real estate office in the County, I caution you against haphazardly increasing real estate recordation taxes. We cannot afford to add any more barriers to homeownership.

When working to put together a down payment on a home, even a few thousand dollars in added costs can have a major impact.

For example, if you were to buy a \$450,000 home<sup>1</sup> and put 5% down with a 95% mortgage, your charges at settlement—closing costs plus down payment—would be just under \$40,000<sup>2</sup>. \$40,000 is a lot to have in cash!

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<sup>1</sup> Please see GCAAR average home prices for 2015/2016, as well as recent MRIS listings in Montgomery County. It is important to note, that for the same purchase price, one could see a marked difference in the home they would be purchasing in Howard County, which currently ranks even higher in schools than Montgomery County, with lower tax rates.

<sup>2</sup> The 95/5% down loan has a slightly higher interest rate to offset private mortgage insurance for buyers with excellent credit. Less than excellent credit would likely pay the private mortgage insurance in addition monthly. If the loan is FHA, the buyer can put down only 3.5% and finance 96.5%, but there will be a monthly mortgage insurance premium for the life of the loan.

Now, it is deeply troubling to know that our public servants would consider imposing yet another tax barrier to homeownership with hardly any focus on its long-term effects. I wholly agree with GCAAR that we need a thoughtful discussion on developing a **predictable and equitable** plan to support our youth. It would be beyond unconscionable to push this measure through without considering all of the negative ramifications, as well as possible alternatives.

There has to be a better way.

Thank you.

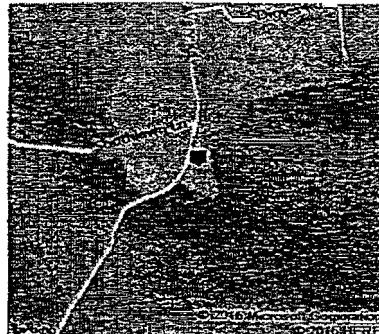
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Caroline	20	34	-41.2%	\$143,641	\$155,268	-7.5%	\$120,000	\$155,700	-22.9%	51	46	235	278	11.8	8.2
Carroll	185	158	17.1%	\$324,636	\$269,370	20.5%	\$292,500	\$259,250	12.8%	310	242	759	827	4.1	5.2
Cecil	78	74	5.4%	\$213,869	\$188,833	13.3%	\$204,000	\$180,000	13.3%	150	118	660	721	8.5	9.7
Charles	204	172	18.6%	\$270,034	\$254,244	6.2%	\$260,000	\$249,692	4.1%	295	275	818	777	4.0	4.5
Dorchester	33	38	-13.2%	\$112,551	\$158,371	-28.9%	\$82,854	\$137,500	-39.7%	34	36	316	336	9.6	8.8
Frederick	297	276	7.6%	\$292,458	\$284,984	2.6%	\$260,000	\$260,500	-0.2%	481	405	1140	1034	3.8	3.7
Garrett	31	26	19.2%	\$251,966	\$330,370	-23.7%	\$190,000	\$305,000	-37.7%	55	28	415	444	13.4	17.1
Harford	274	219	25.1%	\$235,286	\$254,800	-7.7%	\$224,000	\$230,000	-2.6%	411	331	1175	1252	4.3	5.7
Howard	281	270	4.1%	\$425,222	\$391,038	8.7%	\$373,000	\$365,162	2.1%	514	425	992	1010	3.5	3.7
Kent	14	21	-33.3%	\$150,056	\$259,248	-42.1%	\$120,000	\$180,000	-33.3%	48	28	322	338	23.0	16.1
Montgomery	841	836	0.6%	\$473,902	\$499,348	-5.1%	\$385,000	\$397,450	-3.1%	1453	1310	2519	2504	3.0	3.0
Prince George's	719	705	2.0%	\$240,076	\$234,460	2.4%	\$234,900	\$224,900	4.4%	1312	1119	1699	1638	2.4	2.3
Queen Anne's	46	52	-11.5%	\$409,604	\$249,843	63.9%	\$292,500	\$235,000	24.5%	95	86	511	633	11.1	12.2
Somerset	19	24	-20.8%	\$140,847	\$95,117	48.1%	\$76,000	\$65,200	16.6%	25	23	205	218	10.8	9.1
St. Mary's	102	91	12.1%	\$281,435	\$252,750	11.3%	\$261,250	\$230,000	13.6%	175	145	684	711	6.7	7.8
Talbot	47	45	4.4%	\$357,817	\$310,271	15.3%	\$270,000	\$270,200	-0.1%	66	48	482	514	10.3	11.4
Washington	139	131	6.1%	\$167,606	\$166,720	0.5%	\$140,500	\$149,900	-6.3%	235	187	745	833	5.4	6.4
Wicomico	90	84	7.1%	\$140,321	\$149,898	-6.4%	\$142,000	\$151,950	-6.5%	122	105	555	578	6.2	6.9
Worcester	131	146	-10.3%	\$253,766	\$237,228	7.0%	\$224,900	\$210,500	6.8%	219	192	1536	1748	11.7	12.0
<b>MARYLAND</b>	<b>5,772</b>	<b>5,417</b>	<b>6.6%</b>	<b>\$291,025</b>	<b>\$288,911</b>	<b>0.7%</b>	<b>\$252,068</b>	<b>\$246,361</b>	<b>2.3%</b>	<b>9,633</b>	<b>8,240</b>	<b>25,147</b>	<b>26,039</b>	<b>4.4</b>	<b>4.8</b>

Reported by MRIS and Coastal Association of Realtors. NOTE: UNITS ARE THE "UNITS" SOLD, PENDING ARE UNDER CONTRACT

\*Months of inventory based on current active inventory and monthly sales for the corresponding month; Data are revised on a regular basis. Readers of these reports should note that older reports have not been adjusted to reflect these revised data. This report, however, contains the latest reliable data to date.

Status: ACTIVE  
List Price: \$500,000  
Ownership: Fee Simple - Sale  
BR/FB/HB: 3/2/0  
Lot AC/SF: 3.00/130,680.00  
Lvl/Fpls: 2 / 1  
Tot Fin SF: 0  
Tax Living Area: 1,200  
Year Built: 1979  
TOT EST CHRGS: \$5,740  
Tax Yr: 2016  
Ground Rent:  
Style: Cape Cod  
Type: Detached



Transaction Type: Standard

Legal Sub: Pt Rockville Out Res. 3

Adv. Sub: Pt Rockville Out Res. 3

Model:

Auction: No

HOA Fee: /

C/C Fee: /

Other Fee: /

Condo/Coop Proj Name:

ADC Map: 1

	Total	Main	Upd1	Upd2	Lwr1	Lwr2
BR:	3	2	1			
FB:	2	1	1			
HB:	0	0	0			

Schools:

ES: SEQUOYAH

MS: REDLAND

HS: COL. ZADOK MAGRUDER

\*School information is provided by independent third party sources and should not be relied upon without verification.

Bedroom-Master:

Upper 1

Breakfast Room:

Main

Living Room:

Main

Exterior:

Exterior Const: Siding - Aluminum / Steel

Other Structures:

Lot Desc:

Basement: Yes, Crawl Space

Parking: Garage

Heating System: Baseboard, Wood Burning Stove

Water: Public

Cooling System: Ceiling Fan(s), Window Unit(s)

Sewer/Septic: Septic

Appliances: Disposal, Dishwasher, Dryer, Microwave, Refrigerator, Stove, Washer, Water Heater

Amenities: Attic - Partially Finished, Automatic Garage Door Opener, Bedroom - Entry Level, Closet - Master Bedroom Walk-in, Closet(s) - Walk-in, Drapery Rods, Drapes / Curtains, Fireplace Equipment, Shades / Blinds, Wall to Wall Carpeting, Washer / Dryer Hookup

Exposure: Trees

Roofing: Shingle - Architectural

Gar/Crpt/Assgd Spaces: 4//

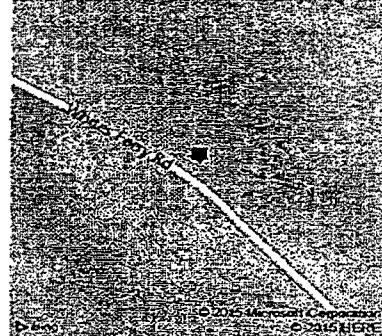
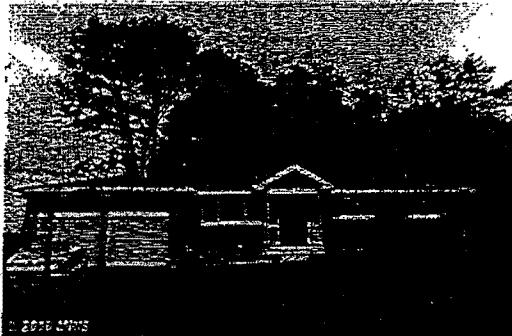
Heating Fuel: Electric

Hot Water: Electric

Cooling Fuel: Electric

Soil Type:

Status: ACTIVE  
 List Price: \$499,900  
 Ownership: Fee Simple - Sale  
 BR/FB/HB: 3/3/0  
 Lot AC/SF: 0.48/21,026.00  
 Lvl/Fpls: 2 / 1  
 Tot Fin SF: 2520  
 Tax Living Area: 1,260  
 Year Built: 1962  
 TOT EST CHRGS: \$3,431  
 Tax Yr: 2014  
 Ground Rent:  
 Style: Rambler  
 Type: Detached



Transaction Type: Standard

Legal Sub: Poolesville Outside  
 Adv. Sub: Poolesville Outside  
 Model: GORGEOUS

Auction: No

HOA Fee: /  
 C/C Fee: /  
 Other Fee: /  
 Condo/Coop Proj Name:

ADC Map: SEE MAP

	Total	Main	Upnd	Upn2	Lwr1	Lwr2	Schools:
BR:	3	2			1		ES: POOLESVILLE
FB:	3	2			1		MS:
HB:	0	0			0		HS: POOLESVILLE

\*School information is provided by independent third party sources and should not be relied upon without verification.

Family Rm: Lower 1      Lndry-Sep Rm: Lower 1      Storage Room: Lower 1

Recreation Rm:

Exterior: Patio, Porch-front

Exposure:

Exterior Const: Brick

Roofing: Composite, Shingle - Architectural

Other Structures: Above Grade,Below Grade

Lot Desc: Landscaping, Backs to Trees, Cleared, Private

Basement: Yes, Fully Finished, Outside Entrance, Connecting Stairway, Improved

Parking: Drvwy/Off Str, Garage

Gar/Crpt/Assgd Spaces: 2//

Heating System: Heat Pump(s), Forced Air

Heating Fuel: Electric, Central

Water: Conditioner, Well, Filter

Hot Water: Electric

Cooling System: Central Air Conditioning, Heat Pump(s)

Cooling Fuel: Electric

Sewer/Septic: Septic

Soil Type:

Appliances: Dishwasher, Disposal, Dryer, Exhaust Fan, Icemaker, Microwave, Oven - Self Cleaning, Oven / Range - Electric, Refrigerator, Stove, Washer, Water Conditioner

Amenities: Attic - Access Only, Bathroom(s) - Ceramic Tile, Crown Molding, Fireplace Mantel(s), Fireplace Screen, Countertop(s) - Granite, Master Bathroom - Separate Shower, Master Bedroom - Full Bathroom, Closet - Master Bedroom Walk-in, Sump Pump, Wall to Wall Carpeting, Closet(s) - Walk-in, Wood Floors, Vanities - Separate



## Buyer's Estimated Costs Worksheet For Montgomery County, Maryland and the District of Columbia

Property Address \_\_\_\_\_ Sales Price \_\_\_\_\_

Buyer's Name \_\_\_\_\_ Proposed Settlement Date \_\_\_\_\_

Section Numbers correspond to HUD Settlement Sheet.

Items marked "POC" will be paid outside the closing.

### 800 SECTION - ITEMS PAYABLE IN CONNECTION WITH THE LOAN

Loan Origination Fee/Discount Points (each point = 1% of loan amt.)	\$ _____
Appraisal (\$300-\$1,500) usually POC	\$ _____
Credit Report (\$15-\$75) usually POC	\$ _____
Misc. Loan Fees (Doc. Preparation, Processing, Tax service, Underwriting, etc.: (\$450-\$1,000)	\$ _____
Second mortgage – if applicable	\$ _____
Loan Origination Fee/Discount Points	\$ _____
Misc. Loan fees for second mortgage (\$150-\$500)	\$ _____

*Note – Some or all of the above charges may appear as one lump sum on the final settlement statement.*

### 900 SECTION - PREPAIDS ITEMS

Prepaid Interest on new loan (estimate 30 days)	\$ _____
Mortgage Insurance:	\$ _____
(Conventional – typically none if more than 20% down; with less than 20% down check with Lender for special programs)	
(FHA or VA Funding Fee – Check with Lender)	
Homeowner's Insurance Premium - 1 year (Consult your insurance agent) usually POC	\$ _____

### 1000 SECTION - ESCROWED ITEMS

Homeowner's Insurance (2 months premium)	\$ _____
Real Estate Taxes:	
Maryland (estimate 10 months)	
(14 months if Seller or Buyer is not an owner occupant)	\$ _____
District of Columbia (estimate 5 months)	\$ _____
Mortgage Insurance Premium (check with lender)	\$ _____

### 1100 SECTION - TITLE CHARGES

Settlement Fee, including: Settlement Fee>Title Abstract and Examination, Doc. Preparation, Title Binder, Notary, Misc. (\$500 - \$1,000); 2 <sup>nd</sup> Trust may incur Additional Fee	\$ _____
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Title Insurance (check appropriate box): \$ \_\_\_\_\_

(Reissue Rate may be available)

Lender's Coverage only - \$2.80 per \$1,000 of loan amount (MD)

\$4.50 per \$1,000 of sale price (DC)

Owner's Coverage only - \$4.00 - \$4.75 per \$1,000 of sale price (MD)

\$5.70 - \$7.00 per \$1,000 of sale price (DC)

Owner's & Lender's Coverage (add \$100- \$150.00 to Owners)

*Note - Some or all of the above charges may appear as one lump sum on the final settlement statement.*

## 1200 SECTION MONTGOMERY COUNTY GOVERNMENT RECORDING AND TRANSFER CHARGES

Recording Fees- Deed, Mortgage, etc. (\$120 - \$220) \$ \_\_\_\_\_

County Transfer Tax (check appropriate box): \$ \_\_\_\_\_

Unimproved/non-residential property: 1% of sales price

Residential \$70,000 or more 1% of sales price

\$40,000 to \$69,999 - ½% of sales price

Less than \$40,000 - ¼% of sales price

State Transfer Tax (½% of sales price)

(Reduced to ¼% and the ¼% must be paid by Seller if Buyer  
is a First-Time Maryland Owner Occupant Home Buyer) \$ \_\_\_\_\_

Recordation Tax/Stamps

.69% of sales price up to \$500,000

1.0% of any portion of sales price over \$500,000

(Subtract \$345 if the property will be Buyer's Principal  
Residence as defined by Montgomery County law)

\$ \_\_\_\_\_

If the loan amount exceeds the Contract Purchase Price  
additional Recordation Taxes will be assessed.

**NOTE:** Unless otherwise negotiated the transfer and recordation taxes above are divided  
equally between Buyer and Seller, except in the case where Buyer qualifies as a First-Time  
Maryland Owner Occupant Home Buyer. In such case, where Buyer does qualify as a First-  
Time Maryland Owner Occupant Home Buyer, then the transfer and recordation taxes shall  
be paid entirely by Seller, unless otherwise negotiated.

## 1200 SECTION DC GOVERNMENT RECORDING AND TRANSFER CHARGES

Recording Fees – Deed, Mortgage, etc. (\$100 - \$250) \$ \_\_\_\_\_

Recordation Tax

• 1.1% of sales price if price is under \$400,000

• 1.45% of sales price if sales price is \$400,000 or higher \$ \_\_\_\_\_

If the loan amount exceeds the Contract Purchase Price additional  
Recordation Taxes may be assessed.

Cooperatives will have an Economic Interest tax or 2.9% of the Sales Price.

This tax is normally split between buyer and seller, please consult your  
Sales Contract. \$ \_\_\_\_\_

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**1300 SECTION ADDITIONAL CHARGES**

Survey (House Location Drawing \$200 - \$500) or Boundary Survey \$500 - \$3,000)	\$ _____
Pest Inspection (\$50 - \$150)	\$ _____
Inspection Fees (Home <input type="checkbox"/> , Lead <input type="checkbox"/> , Radon <input type="checkbox"/> ) usually POC Condominium, Cooperative or HOA Dues (Proration plus 1 full month or quarter)	\$ _____
Buyer Broker Commission	\$ _____
Other	\$ _____
<b>TOTAL ESTIMATED COSTS</b>	\$ _____

**Estimated Monthly Payment**

P&I (at ____ %) (1 <sup>st</sup> mortgage)	\$ _____
P&I (at ____ %) (2nd mortgage)	\$ _____
1/12 <sup>th</sup> annual Property Taxes	\$ _____
1/12 <sup>th</sup> annual Hazard Insurance	\$ _____
1/12 <sup>th</sup> annual Mortgage Insurance	\$ _____
<b>Total Est. Monthly Payment     to Lender</b>	\$ _____
Monthly Condo/Coop/HOA Fee	\$ _____
<b>Total Estimated     Monthly Payment</b>	\$ _____

**Estimated Funds Required to Purchase**

Sales Price	\$ _____
Estimated Settlement Costs + \$	\$ _____
Loan Amt. (1 <sup>st</sup> mortgage) - \$	\$ _____
Loan Amt. (2 <sup>nd</sup> mortgage) - \$	\$ _____
Credits from Seller, if applicable	- \$ _____
<b>Estimated Total</b>	= \$ _____

THE ABOVE FIGURES ARE ESTIMATES. RATES AND CHARGES VARY WITH LENDERS, ATTORNEYS, TITLE COMPANIES AND INSURANCE COMPANIES. COSTS ARE SUBJECT TO CHANGE AND ARE NOT GUARANTEED BY BROKER/AGENT. THE TOTAL ESTIMATED DUE AT SETTLEMENT (SEE ABOVE) MUST BE PAID BY CERTIFIED or CASHIER'S CHECK OR BY BANK WIRED FUNDS PAYABLE TO SETTLEMENT ATTORNEY OR TITLE COMPANY.

LENDERS REQUIRE A HAZARD INSURANCE POLICY WITH A PAID RECEIPT OR A CERTIFICATE OF CONDOMINIUM INSURANCE, WHERE APPLICABLE, PRIOR TO CLOSING.

**Acknowledgement of Receipt:**

\_\_\_\_\_  
Buyer                          Date

\_\_\_\_\_  
Buyer                          Date

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## Seller's Estimated Costs Worksheet Montgomery County, Maryland and the District of Columbia

Property Address \_\_\_\_\_ Sales Price \_\_\_\_\_  
Buyer's Name \_\_\_\_\_ Date \_\_\_\_\_

### Transfer and Recording Taxes Charges:

**For Montgomery County, MD** - Unless otherwise negotiated, items 1, 2 and 3 below are divided equally between Buyer and Seller, except in the case where Buyer qualifies as a First-Time Maryland Owner Occupant Home Buyer. In such case, where Buyer does qualify as a First-Time Maryland Owner Occupant Home Buyer, then items 1-3 below shall be paid entirely by Seller, unless otherwise negotiated.

1. Montgomery County Transfer Tax (check appropriate box): \$ \_\_\_\_\_

- Unimproved/non-residential property – 1% of sales price
- Residential \$70,000 or more – 1% of sales price
- \$40,000 to \$69,999 – ½ % of sales price
- Less than \$40,000 – ¼ % of sales price

2. State Transfer Tax (1/2% of sales price) \$ \_\_\_\_\_  
(Reduced to ¼% and must be paid by Seller if Buyer is a First-Time Maryland Owner Occupant Home)

3. Recordation Tax \$ \_\_\_\_\_  
.69 % of sales price up to \$500,000

1.0 % of any portion of sales price over \$500,000  
(Subtract \$345 if the property will be Buyer's Principal Residence as defined by Montgomery County law.)

**Washington, DC Transfer Tax (for residential use properties)** \$ \_\_\_\_\_

- 1.1 % of sales price if sales price is under \$400,000
- 1.45 % of sales price if sales price is \$400,000 or higher

**Maryland Non Resident Seller Transfer Withholding Tax** \$ \_\_\_\_\_

- 7.5 % of a non-resident Seller's net proceeds
- 8.25 % of a non-resident entity's net proceeds

**Foreign Investment Real Property Tax Act Withholding (FIRPTA)** \$ \_\_\_\_\_

15% of gross sales price, unless sales price is \$1 million or less and the property will be the Buyer's principal residence, in which case the withholding will be 10% of the gross sales price.

### Mortgage Payoff and Interest Adjustment:

Principal Balance (1st Mortgage) \$ \_\_\_\_\_

Principal Balance (2nd Mortgage/Home Equity) \$ \_\_\_\_\_

Interest Adjustment on 1st Mortgage payoff \* \$ \_\_\_\_\_

Interest Adjustment on 2nd Mortgage payoff \* \$ \_\_\_\_\_

\*(One Month's interest or if unknown, 1 month's payment.)

Presumes loan is current. If Equity Line, balance presumes no further advances being made prior to settlement.)

*Prepayment penalty, if applicable* \$ \_\_\_\_\_

Payoff Other Liens/Obligations \$ \_\_\_\_\_

(e.g., Taxes, Financing Statement, Indemnity Deed of Trust, Court Judgments) \$ \_\_\_\_\_

**Brokerage Commission** \$ \_\_\_\_\_

Other Broker charge(s)/Administration Fee \$ \_\_\_\_\_

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**Attorney/Title Co. Fees:**

Settlement Fee (\$100 - \$500)	\$ _____
Release Preparation Fee (\$75 - \$150/per mortgage or other lien)	\$ _____
Release Recording Fee(s)	\$ _____
Montgomery County (\$25 - \$60/ per mortgage or other lien)	\$ _____
Washington, DC (\$50 - \$75 per mortgage or other lien)	\$ _____
Messenger Fees/Express Mail (\$50 - \$100)	\$ _____

**Other Contract Related Expenses**

Loan Points (Origination, Discount, Buydown, Subsidy, etc.)	\$ _____
Closing Costs Credited to Buyer at settlement	\$ _____
FHA/VA Lender Fees (\$50 - \$250)	\$ _____
Termite Inspection	\$ _____
Well and/or Septic Certification Fees (\$200-\$500)	\$ _____
Estimated Cost of Repairs/Termite Treatment, etc.	\$ _____
Home Buyer's Warranty (\$300-\$600)	\$ _____

**Adjustments**

Real Estate Taxes	\$ _____
Water Escrow	\$ _____
Condominium/Homeowners Association Fee Adjustments	\$ _____
Other Charges (Rent Back, Security Deposit)	\$ _____
Other	\$ _____

**Miscellaneous**

**TOTAL ESTIMATED SELLER'S COSTS** \$ \_\_\_\_\_

**TOTAL Estimated Seller's Credits (Reimbursement for items paid in advance)**

(i.e. Real Estate Taxes, HOA/Condo Fees, etc.)

Please Specify \_\_\_\_\_ (will be on Settlement Statement) \$ \_\_\_\_\_

Sales Price	\$ _____
Estimated Seller Costs	\$ _____
Seller's Estimated Credits	+ \$ _____
Seller's Estimated Net (at Settlement)	= \$ _____

THIS IS AN ESTIMATE OF SELLER'S COSTS. RATES VARY WITH LENDERS, ATTORNEYS AND TITLE FIRMS, SO COSTS ARE SUBJECT TO CHANGE AND ARE NOT GUARANTEED BY BROKER/AGENT. ANY FUNDS THAT ARE DUE FROM YOU AT THE TIME OF SETTLEMENT MUST BE PAID BY CERTIFIED, TREASURER'S OR CASHIER'S CHECK MADE PAYABLE TO SETTLEMENT ATTORNEY OR TITLE COMPANY. SUCH FUNDS MAY ALSO BE PROVIDED BY ELECTRONIC TRANSFER.

Check with the Settlement Office for its procedures as to timing and method for disbursement of your proceeds of sale and Valid Government photo identification is required to be produced at settlement. In most cases, escrowed funds for the future payment of taxes and insurance will be refunded directly to you by your lender following loan payoff.

**Acknowledgement of Receipt:**

Seller

Date

Seller

Date

**Montgomery County Council****Bill 15-16, "Recordation Tax -Rates -Allocations -Amendments"****Tuesday, May 10, 2016****100 Maryland Avenue, Rockville, MD 20850****Testimony of: Marty Stanton, KVS Title Company****POSITION: STRONG OPPOSITION**

County Councilmembers, my name is Marty Stanton and I am testifying in opposition to the proposed recordation tax increase.

I am proud to say I have been a Montgomery County resident all my life, and my wife and I have chosen to raise our family here. Over the past twenty years, I have jointly owned and operated two title companies in the County; building a practice assisting buyers realize dreams of homeownership and sellers begin new chapters in their lives. While my industry deals with a lot of paperwork, it is the people behind the paper we are truly invested in.

Unfortunately, I am here because of a seriously misguided recordation tax increase proposal. I want to bring to life the negative impacts of putting another saddle on residents during perhaps the single most important 'transaction' of their lives.

Maryland currently maintains highly elevated recordation and transfer tax rates relative to most surrounding jurisdictions. For a \$400K purchase price in Montgomery County, the recordation taxes would now be \$2,415, and for a \$650K it would be \$4,605. This increase would exponentially raise that to \$2,940

and \$5,730, which is much higher than our neighboring Counties. Right across the bridge in Virginia, the rates drop dramatically. While DC has slightly elevated rates, they maintain near the highest rates in the nation—not something we should aspire to.

While it may seem like an ‘easy fix’ to tack on ‘another cost of many’ to pay for school improvements—admittedly a worthy cause—there are already a multitude of costs buyers and sellers must pay at closing. I’ve included for you estimated costs both on the seller and buyer side. You can see how these expenses add up VERY quickly—it’s not just a down-payment and recordation tax. The Closing costs alone can be close to \$50,000 for a Seller and \$30,000 for a Buyer.

Overall, the margins are much slimmer for how much a buyer must come to the table with, which doesn’t even account for seller’s who may have to supplement those costs. I too often see purchasers and sellers alike scrambling to put together those last dollars needed to cover the recordation, transfer and other taxes within days of closing.

Finally, as many of you know, I have been an active resident in our County serving on numerous Advisory Boards and Task Forces.<sup>1</sup> I am proud of how carefully we look at issues before offering solutions. Often we even over study them! This decision to increase the recordation tax does not appear to have had the same level of thought that makes our County great.

---

<sup>1</sup> Silver Spring Regional Advisory Board, Landlord Tenant Task Force and the Second Transportation Policy Task Force

This is why I respectfully urge you not to move forward the proposal to increase the recordation tax and find a broader solution to improving our schools. Based on my experience of handling thousands of settlements for buyers and sellers, the current recordation and transfer rates are too high, and to raise them would lower the opportunity of homeownership in our County.

And, as I embark on sending my children to college, decisions like this make me wonder whether they will have the same opportunity of owning a home and raising their families in Montgomery County as I was fortunate enough to have.

Thank you.

\$400,000.00 Sample Purchase at Current Recordation Tax Rate

American Land Title Association

ALTA Settlement Statement- Combined  
Adopted 05-01-2015

File No./Escrow No.: SAMPLE\_ALTA\_SS  
Print Date & Time: 05/10/2016 10:31 AM  
Officer/Escrow Officer

KVS Title, LLC

7550 Wisconsin Avenue, Suite 500  
Bethesda, MD 20814

Settlement Location: 7550 Wisconsin Avenue, Suite 500, Bethesda, MD 20814

Property Address: 4231 Our Home Drive, Germantown, MD 20876

Buyer: ROBERT DAVID SMITH, JANETTE ANNE SMITH

Seller: JOHN JAMES DOE, JANE JOANNE DOE

Lender: Lender with Low Rates, Inc.

Settlement Date: 5/17/2016

Disbursement Date: 5/17/2016

Additional dates per state requirements:

Seller		Description	Borrower/Buyer	
Debit	Credit		Debit	Credit
		Financial		
	\$400,000.00	Sales Price of Property	\$400,000.00	
		Deposit		\$5,000.00
		Loan Amount		\$320,000.00
		Prorations/Adjustments		
		Assessments from 5/17/2016 to 5/31/2016	\$55.65	
		County Taxes from 5/17/2016 to 6/30/2016	\$615.25	
\$55.65		Assessments from 5/17/2016 to 5/31/2016		
\$615.25		County Taxes from 5/17/2016 to 6/30/2016		
		Loan Charges to Lender with Low Rates, Inc.		
		Loan Origination Charge to Lender with Low Rates, Inc.	\$5,200.00	
		Loan Discount to Lender with Low Rates, Inc.	\$1,250.00	
		Appraisal Fee to Lender with Low Rates, Inc.: \$50.00 POC-Borrower	\$450.00	
		Credit Report Fee to Lender with Low Rates, Inc.	\$35.00	

Seller		Description	Borrower/Buyer	
Debit	Credit		Debit	Credit
		Flood Certification to First American Flood Services	\$15.00	
		Tax Service Fee to First American Tax Services	\$85.00	
		<b>Other Loan Charges</b>		
		Pest Inspection to Superior Pest Management	\$35.00	
		Survey to SNIDER & ASSOCIATES	\$225.00	
		Prepaid Interest to Lender with Low Rates, Inc.	\$566.70	
		<b>Impounds</b>		
		Aggregate Adjustment		\$487.00
		Homeowner's Insurance 2 mo @ \$ 70.00/mo	\$140.00	
		Property Taxes 8 mo @ \$ 417.00/mo	\$3,336.03	
		<b>Title Charges &amp; Escrow / Settlement Charges</b>		
		Lender's Policy to First American Title Insurance Corporation	\$914.80	
		Settlement Fee to KVS Title, LLC	\$810.00	
		Title Search to MANTILLA ABSTRACTS, INC.	\$225.00	
		Owner's Policy to First American Title Insurance Corporation	\$1,211.70	
		<b>Commission</b>		
\$12,000.00		Real Estate Commission Buyers Broker to Keller Williams Capital Properties		
\$12,000.00		Real Estate Commission Sellers Broker to Long & Foster Real Estate, Inc.		
		<b>Government Recording and Transfer Charges</b>		
\$2,000.00		County Transfer Tax to Montgomery County, Maryland	\$2,000.00	
\$1,000.00		State Transfer Tax to Clerk of the Circuit Court	\$1,000.00	
		Recording Fees (Deed) to Clerk of the Circuit Court	\$60.00	
		Recording Fees (Mortgage) to Clerk of the Circuit Court	\$60.00	
\$1,207.50		State Recordation Tax to Montgomery County, Maryland	\$1,207.50	
		<b>Payoff(s)</b>		

Seller		Description	Borrower/Buyer	
Debit	Credit		Debit	Credit
\$326,650.20		Lender: Payoff of First Mortgage Loan to Never Thought this Loan Would be Paid Off Principal Balance as of 5/17/2016 \$326,529.52 Interest on Payoff Loan: 7 days @ \$17.24/day for \$120.68		
		<b>Miscellaneous</b>		
		Homeowner's Insurance Premium to State Farm	\$840.00	
\$300.00		Water Escrow to HELD IN ESCROW		
		Account Transfer/Set-Up to The Management People	\$75.00	
		Association Dues - June to Oakwood HOA	\$115.00	
		Home Warranty to HMS	\$520.00	
\$345.00		Flat Commission Fee to Long & Foster Real Estate, Inc.		
		Broker Commission Fee to Keller Williams Capital Properties	\$225.00	
\$150.00		Deed Preparation Fee (SELLER) to KVS Title, LLC		
\$35.00		Release Tracking Fee (\$35 per lien) - SELLER to reQuire, LLC		
\$145.00		Release Administration Fee (\$145 per lien) - SELLER to KVS Title, LLC		
\$330.00		Settlement Fee (SELLER) to KVS Title, LLC		
Seller			Borrower/Buyer	
Debit	Credit		Debit	Credit
\$356,162.70	\$400,670.90	<b>Subtotals</b>	\$421,272.63	\$325,487.00
		Due From Borrower		\$95,785.63
\$44,508.20		Due To Seller		
\$400,670.90	\$400,670.90	<b>Totals</b>	\$421,272.63	\$421,272.63

**Acknowledgement**

We/I have carefully reviewed the ALTA Settlement Statement and find it to be a true and accurate statement of all receipts and disbursements made on my account or by me in this transaction and further certify that I have received a copy of the ALTA Settlement Statement We/I authorize KVS Title, LLC to cause the funds to be disbursed in accordance with this statement.

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ROBERT DAVID SMITH

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JANETTE ANNE SMITH

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JOHN JAMES DOE

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JANE JOANNE DOE

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Escrow Officer

\$400,000.00 Sample Purchase at Proposed Increased Recordation Tax Rate

American Land Title Association

ALTA Settlement Statement- Combined  
Adopted 05-01-2015

File No./Escrow No.: SAMPLE\_ALTA\_SS  
Print Date & Time: 05/10/2016 10:34 AM  
Officer/Escrow Officer  
Settlement Location: 7550 Wisconsin Avenue, Suite 500, Bethesda, MD 20814

KVS Title, LLC

7550 Wisconsin Avenue, Suite 500  
Bethesda, MD 20814

Property Address: 4231 Our Home Drive, Germantown, MD 20876  
Buyer: ROBERT DAVID SMITH, JANETTE ANNE SMITH  
Seller: JOHN JAMES DOE, JANE JOANNE DOE  
Lender: Lender with Low Rates, Inc.  
  
Settlement Date: 5/17/2016  
Disbursement Date: 5/17/2016  
Additional dates per state requirements:

Seller	Description		Borrower/Buyer
Debit	Credit	Debit	Credit
	<b>Financial</b>		
	\$400,000.00	Sales Price of Property	\$400,000.00
		Deposit	\$5,000.00
		Loan Amount	\$320,000.00
		<b>Prorations/Adjustments</b>	
		Assessments from 5/17/2016 to 5/31/2016	\$55.65
		County Taxes from 5/17/2016 to 6/30/2016	\$615.25
	\$55.65	Assessments from 5/17/2016 to 5/31/2016	
	\$615.25	County Taxes from 5/17/2016 to 6/30/2016	
		<b>Loan Charges to Lender with Low Rates, Inc.</b>	
		Loan Origination Charge to Lender with Low Rates, Inc.	\$5,200.00
		Loan Discount to Lender with Low Rates, Inc.	\$1,250.00
		Appraisal Fee to Lender with Low Rates, Inc.: \$50.00 POC-Borrower	\$450.00
		Credit Report Fee to Lender with Low Rates, Inc.	\$35.00

Seller		Description	Borrower/Buyer	
Debit	Credit		Debit	Credit
		Flood Certification to First American Flood Services	\$15.00	
		Tax Service Fee to First American Tax Services	\$85.00	
		<b>Other Loan Charges</b>		
		Pest Inspection to Superior Pest Management	\$35.00	
		Survey to SNIDER & ASSOCIATES	\$225.00	
		Prepaid Interest to Lender with Low Rates, Inc.	\$566.70	
		<b>Impounds</b>		
		Aggregate Adjustment		\$487.00
		Homeowner's Insurance 2 mo @ \$ 70.00/mo	\$140.00	
		Property Taxes 8 mo @ \$ 417.00/mo	\$3,336.03	
		<b>Title Charges &amp; Escrow / Settlement Charges</b>		
		Lender's Policy to First American Title Insurance Corporation	\$914.80	
		Settlement Fee to KVS Title, LLC	\$810.00	
		Title Search to MANTILLA ABSTRACTS, INC.	\$225.00	
		Owner's Policy to First American Title Insurance Corporation	\$1,211.70	
		<b>Commission</b>		
\$12,000.00		Real Estate Commission Buyers Broker to Keller Williams Capital Properties		
\$12,000.00		Real Estate Commission Sellers Broker to Long & Foster Real Estate, Inc.		
		<b>Government Recording and Transfer Charges</b>		
\$2,000.00		County Transfer Tax to Montgomery County, Maryland	\$2,000.00	
\$1,000.00		State Transfer Tax to Clerk of the Circuit Court	\$1,000.00	
		Recording Fees (Deed) to Clerk of the Circuit Court	\$60.00	
		Recording Fees (Mortgage) to Clerk of the Circuit Court	\$60.00	
\$1,470.00		State Recordation Tax to Montgomery County, Maryland	\$1,470.00	
		<b>Payoff(s)</b>		

Seller		Description	Borrower/Buyer	
Debit	Credit		Debit	Credit
\$326,650.20		Lender: Payoff of First Mortgage Loan to Never Thought this Loan Would be Paid Off Principal Balance as of 5/17/2016 \$326,529.52 Interest on Payoff Loan: 7 days @ \$17.24/day for \$120.68		
		Miscellaneous		
		Homeowner's Insurance Premium to State Farm	\$840.00	
\$300.00		Water Escrow to HELD IN ESCROW		
		Account Transfer/Set-Up to The Management People	\$75.00	
		Association Dues - June to Oakwood HOA	\$115.00	
		Home Warranty to HMS	\$520.00	
\$345.00		Flat Commission Fee to Long & Foster Real Estate, Inc.		
		Broker Commission Fee to Keller Williams Capital Properties	\$225.00	
\$150.00		Deed Preparation Fee (SELLER) to KVS Title, LLC		
\$35.00		Release Tracking Fee (\$35 per lien) - SELLER to reQuire, LLC		
\$145.00		Release Administration Fee (\$145 per lien) - SELLER to KVS Title, LLC		
\$330.00		Settlement Fee (SELLER) to KVS Title, LLC		
Seller			Borrower/Buyer	
Debit	Credit		Debit	Credit
\$356,425.20	\$400,670.90	Subtotals	\$421,535.13	\$325,487.00
		Due From Borrower		\$96,048.13
\$44,245.70		Due To Seller		
\$400,670.90	\$400,670.90	Totals	\$421,535.13	\$421,535.13

**Acknowledgement**

We/I have carefully reviewed the ALTA Settlement Statement and find it to be a true and accurate statement of all receipts and disbursements made on my account or by me in this transaction and further certify that I have received a copy of the ALTA Settlement Statement We/I authorize KVS Title, LLC to cause the funds to be disbursed in accordance with this statement.

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ROBERT DAVID SMITH

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JANETTE ANNE SMITH

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JOHN JAMES DOE

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JANE JOANNE DOE

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Escrow Officer

\$650,000.00 Sample Purchase at Current Recordation Tax Rate

American Land Title Association

ALTA Settlement Statement- Combined  
Adopted 05-01-2015

File No./Escrow No.: SAMPLE\_ALTA\_SS  
Print Date & Time: 05/10/2016 10:25 AM  
Officer/Escrow Officer  
Settlement Location: 7550 Wisconsin Avenue, Suite 500, Bethesda, MD 20814

KVS Title, LLC

7550 Wisconsin Avenue, Suite 500  
Bethesda, MD 20814

Property Address: 4231 Our Home Drive, Germantown, MD 20876  
Buyer: ROBERT DAVID SMITH, JANETTE ANNE SMITH  
Seller: JOHN JAMES DOE, JANE JOANNE DOE  
Lender: Lender with Low Rates, Inc.  
  
Settlement Date: 5/17/2016  
Disbursement Date: 5/17/2016  
Additional dates per state requirements:

Seller		Description	Borrower/Buyer	
Debit	Credit		Debit	Credit
		<b>Financial</b>		
	\$650,000.00	Sales Price of Property	\$650,000.00	
		Deposit		\$5,000.00
		Loan Amount		\$520,000.00
		<b>Prorations/Adjustments</b>		
		Assessments from 5/17/2016 to 5/31/2016	\$55.65	
		County Taxes from 5/17/2016 to 6/30/2016	\$842.46	
	\$55.65	Assessments from 5/17/2016 to 5/31/2016		
	\$842.46	County Taxes from 5/17/2016 to 6/30/2016		
		<b>Loan Charges to Lender with Low Rates, Inc.</b>		
		Loan Origination Charge to Lender with Low Rates, Inc.	\$5,200.00	
		Loan Discount to Lender with Low Rates, Inc.	\$1,250.00	
		Appraisal Fee to Lender with Low Rates, Inc.: \$50.00 POC-Borrower	\$450.00	
		Credit Report Fee to Lender with Low Rates, Inc.	\$35.00	

Seller		Description	Borrower/Buyer	
Debit	Credit		Debit	Credit
		Flood Certification to First American Flood Services	\$15.00	
		Tax Service Fee to First American Tax Services	\$85.00	
		<b>Other Loan Charges</b>		
		Pest Inspection to Superior Pest Management	\$35.00	
		Survey to SNIDER & ASSOCIATES	\$225.00	
		Prepaid Interest to Lender with Low Rates, Inc.	\$920.85	
		<b>Impounds</b>		
		Aggregate Adjustment		\$691.83
		Homeowner's Insurance 2 mo @ \$ 120.83/mo	\$241.66	
		Property Taxes 8 mo @ \$ 571.00/mo	\$4,568.00	
		<b>Title Charges &amp; Escrow / Settlement Charges</b>		
		Lender's Policy to First American Title Insurance Corporation	\$1,436.20	
		Settlement Fee to KVS Title, LLC	\$810.00	
		Title Search to MANTILLA ABSTRACTS, INC.	\$225.00	
		Owner's Policy to First American Title Insurance Corporation	\$1,706.30	
		<b>Commission</b>		
\$19,500.00		Real Estate Commission Buyers Broker to Keller Williams Capital Properties		
\$19,500.00		Real Estate Commission Sellers Broker to Long & Foster Real Estate, Inc.		
		<b>Government Recording and Transfer Charges</b>		
\$3,250.00		County Transfer Tax to Montgomery County, Maryland	\$3,250.00	
\$1,625.00		State Transfer Tax to Clerk of the Circuit Court	\$1,625.00	
		Recording Fees (Deed) to Clerk of the Circuit Court	\$60.00	
		Recording Fees (Mortgage) to Clerk of the Circuit Court	\$60.00	
\$2,302.50		State Recordation Tax to Montgomery County, Maryland	\$2,302.50	
		<b>Payoff(s)</b>		

Seller		Description	Borrower/Buyer	
Debit	Credit		Debit	Credit
\$429,780.38		Lender: Payoff of First Mortgage Loan to Never Thought this Loan Would be Paid Off Principal Balance as of 5/17/2016 \$429,555.12 Interest on Payoff Loan: 7 days @ \$32.18/day for \$225.26		
		<b>Miscellaneous</b>		
		Homeowner's Insurance Premium to State Farm	\$1,450.00	
\$300.00		Water Escrow to HELD IN ESCROW		
		Account Transfer/Set-Up to The Management People	\$75.00	
		Association Dues - June to Oakwood HOA	\$115.00	
		Home Warranty to HMS	\$520.00	
\$345.00		Flat Commission Fee to Long & Foster Real Estate, Inc.		
		Broker Commission Fee to Keller Williams Capital Properties	\$225.00	
\$150.00		Deed Preparation Fee (SELLER) to KVS Title, LLC		
\$35.00		Release Tracking Fee (\$35 per lien) - SELLER to reQuire, LLC		
\$145.00		Release Administration Fee (\$145 per lien) - SELLER to KVS Title, LLC		
\$330.00		Settlement Fee (SELLER) to KVS Title, LLC		
Seller			Borrower/Buyer	
Debit	Credit		Debit	Credit
\$477,262.88	\$650,898.11	<b>Subtotals</b>	\$677,783.62	\$525,691.83
		Due From Borrower		\$152,091.79
\$173,635.23		Due To Seller		
<b>\$650,898.11</b>	<b>\$650,898.11</b>	<b>Totals</b>	<b>\$677,783.62</b>	<b>\$677,783.62</b>

**Acknowledgement**

We/I have carefully reviewed the ALTA Settlement Statement and find it to be a true and accurate statement of all receipts and disbursements made on my account or by me in this transaction and further certify that I have received a copy of the ALTA Settlement Statement We/I authorize KVS Title, LLC to cause the funds to be disbursed in accordance with this statement.

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ROBERT DAVID SMITH

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JANETTE ANNE SMITH

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JOHN JAMES DOE

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JANE JOANNE DOE

---

Escrow Officer

\$650,000.00 Sample Purchase at Proposed Increased Recordation Tax Rate

American Land Title Association

ALTA Settlement Statement- Combined  
Adopted 05-01-2015

File No./Escrow No.: SAMPLE\_ALTA\_SS  
Print Date & Time: 05/10/2016 10:22 AM  
Officer/Escrow Officer  
Settlement Location: 7550 Wisconsin Avenue, Suite 500, Bethesda, MD 20814

KVS Title, LLC

7550 Wisconsin Avenue, Suite 500  
Bethesda, MD 20814

Property Address: 4231 Our Home Drive, Germantown, MD 20876  
Buyer: ROBERT DAVID SMITH, JANETTE ANNE SMITH  
Seller: JOHN JAMES DOE, JANE JOANNE DOE  
Lender: Lender with Low Rates, Inc.  
  
Settlement Date: 5/17/2016  
Disbursement Date: 5/17/2016  
Additional dates per state requirements:

Seller	Description		Borrower/Buyer
Debit	Credit	Debit	Credit
<b>Financial</b>			
	\$650,000.00	Sales Price of Property	\$650,000.00
		Deposit	\$5,000.00
		Loan Amount	\$520,000.00
<b>Prorations/Adjustments</b>			
		Assessments from 5/17/2016 to 5/31/2016	\$55.65
		County Taxes from 5/17/2016 to 6/30/2016	\$842.46
	\$55.65	Assessments from 5/17/2016 to 5/31/2016	
	\$842.46	County Taxes from 5/17/2016 to 6/30/2016	
<b>Loan Charges to Lender with Low Rates, Inc.</b>			
		Loan Origination Charge to Lender with Low Rates, Inc.	\$5,200.00
		Loan Discount to Lender with Low Rates, Inc.	\$1,250.00
		Appraisal Fee to Lender with Low Rates, Inc.: \$50.00 POC-Borrower	\$450.00
		Credit Report Fee to Lender with Low Rates, Inc.	\$35.00

Seller		Description	Borrower/Buyer
Debit	Credit		
		Flood Certification to First American Flood Services	\$15.00
		Tax Service Fee to First American Tax Services	\$85.00
		<b>Other Loan Charges</b>	
		Pest Inspection to Superior Pest Management	\$35.00
		Survey to SNIDER & ASSOCIATES	\$225.00
		Prepaid Interest to Lender with Low Rates, Inc.	\$920.85
		<b>Impounds</b>	
		Aggregate Adjustment	\$691.83
		Homeowner's Insurance 2 mo @ \$ 120.83/mo	\$241.66
		Property Taxes 8 mo @ \$ 571.00/mo	\$4,568.00
		<b>Title Charges &amp; Escrow / Settlement Charges</b>	
		Lender's Policy to First American Title Insurance Corporation	\$1,436.20
		Settlement Fee to KVS Title, LLC	\$810.00
		Title Search to MANTILLA ABSTRACTS, INC.	\$225.00
		Owner's Policy to First American Title Insurance Corporation	\$1,706.30
		<b>Commission</b>	
\$19,500.00		Real Estate Commission Buyers Broker to Keller Williams Capital Properties	
\$19,500.00		Real Estate Commission Sellers Broker to Long & Foster Real Estate, Inc.	
		<b>Government Recording and Transfer Charges</b>	
\$3,250.00		County Transfer Tax to Montgomery County, Maryland	\$3,250.00
\$1,625.00		State Transfer Tax to Clerk of the Circuit Court	\$1,625.00
		Recording Fees (Deed) to Clerk of the Circuit Court	\$60.00
		Recording Fees (Mortgage) to Clerk of the Circuit Court	\$60.00
\$2,865.00		State Recordation Tax to Montgomery County, Maryland	\$2,865.00
		<b>Payoff(s)</b>	

Seller		Description	Borrower/Buyer	
Debit	Credit		Debit	Credit
\$429,780.38		Lender: Payoff of First Mortgage Loan to Never Thought this Loan Would be Paid Off  Principal Balance as of 5/17/2016 \$429,555.12  Interest on Payoff Loan: 7 days @ \$32.18/day for \$225.26		
		<b>Miscellaneous</b>		
		Homeowner's Insurance Premium to State Farm	\$1,450.00	
\$300.00		Water Escrow to HELD IN ESCROW		
		Account Transfer/Set-Up to The Management People	\$75.00	
		Association Dues - June to Oakwood HOA	\$115.00	
		Home Warranty to HMS	\$520.00	
\$345.00		Flat Commission Fee to Long & Foster Real Estate, Inc.		
		Broker Commission Fee to Keller Williams Capital Properties	\$225.00	
\$150.00		Deed Preparation Fee (SELLER) to KVS Title, LLC		
\$35.00		Release Tracking Fee (\$35 per lien) - SELLER to reQuire, LLC		
\$145.00		Release Administration Fee (\$145 per lien) - SELLER to KVS Title, LLC		
\$330.00		Settlement Fee (SELLER) to KVS Title, LLC		
Seller			Borrower/Buyer	
Debit	Credit		Debit	Credit
\$477,825.38	\$650,898.11	<b>Subtotals</b>	\$678,346.12	\$525,691.83
		Due From Borrower		\$152,654.29
\$173,072.73		Due To Seller		
<b>\$650,898.11</b>	<b>\$650,898.11</b>	<b>Totals</b>	<b>\$678,346.12</b>	<b>\$678,346.12</b>

**Acknowledgement**

We/I have carefully reviewed the ALTA Settlement Statement and find it to be a true and accurate statement of all receipts and disbursements made on my account or by me in this transaction and further certify that I have received a copy of the ALTA Settlement Statement We/I authorize KVS Title, LLC to cause the funds to be disbursed in accordance with this statement.

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ROBERT DAVID SMITH

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JANETTE ANNE SMITH

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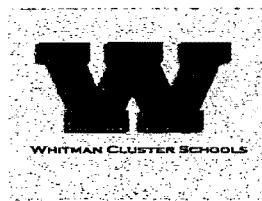
JOHN JAMES DOE

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JANE JOANNE DOE

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Escrow Officer



**BANNOCKBURN ES – BRADLEY HILLS ES – BURNING TREE ES – CARDEROCK SPRINGS ES  
WOOD ACRES ES – PYLE MS – WALT WHITMAN HS**

**MAY 10, 2016**

Good afternoon. My name is Sally McCarthy. I am a Pyle Middle School parent and representative of the Walt Whitman Cluster. I am also a life-long County resident, a MCPS graduate, the daughter of retired MCPS teachers, and a 20-year homeowner in the County. My family and I care deeply about the quality of our public schools.

First, let me say thank you, President Floreen and members of the Council for the chance to speak on behalf our families. We know that you have already heard from many in our community regarding school overcrowding and the forthcoming Westbard development. We appreciate your willingness to pursue budgetary solutions in order to remedy our schools' critical facility needs.

I am here today to offer our community's support for the proposed increase in the recordation tax. This proposal will generate the necessary funds for the MCPS Capital Improvements Program (CIP). Let me be clear - the proposed CIP is not an extravagant use of public monies. In fact, the CIP is - at best - barely keeping up with the extreme enrollment demands that have been placed on its aging and overcrowded schools. It is not a luxury to ask for classrooms that can accommodate enough desks for students, cafeterias where every child can eat lunch, and gymnasiums large enough for full student participation.

Just last month, I described the facility constraints at both Pyle and Whitman, and the planned additions for both schools. Pyle was built in a bygone, demographic era in our County. Pyle was constructed for 1000 students on an

undersized site and now has 1537 students who cram into the building each day to learn. This educational experience is beyond inadequate and is overwhelming for kids' ages 11-14. Many students, like my 11 year old, are simply trying to make it through their chaotic school day. Whitman is facing similar space challenges as the enrollment wave is now reaching the high school. Whitman has about 2000 students, well over its capacity, and growing. Revenue generated from this bill would allow both the Pyle and Whitman additions to proceed as planned. Delaying these additions will not only jeopardize the quality of our current students' educational experience, but also compromise the ability to adequately absorb enrollment from new development at Westbard.

I am keenly aware that there are differing views on this tax proposal. Tax increases are never without ideological divide and discussion. However, this tax increase represents a modest and reasoned approach to capturing funds from real estate transactions that affect our school enrollment. We know that the vast majority of enrollment growth is attributed to turnover in existing homes in our area. Most importantly, prospective homebuyers with families place a premium on quality public schools. Without quality schools, our County real estate market would not be robust. Thank you.

7

Expedited Bill 15-16  
Testimony of Joyce Breiner  
May 10, 2016

President Floreen and members of the County Council, thank you for the opportunity today to speak with you in support of the Expedited Bill 15-16, Recordation Tax - Rates - Allocations – Amendments.

As a parent of a 2015 graduate of Poolesville High School and current community member of the High School PTA, I come to you today to urge you to vote in favor of this bill in hopes of keeping school construction needs on schedule in general and the revitalization of Poolesville High School and the other high schools ahead of it on track, specifically.

When my family decided to move to Poolesville from Gaithersburg in 2002, even before closing on the home, I attended a PTA meeting at Poolesville Elementary School. At that meeting, one of the town commissioners encouraged the members to stay abreast of the developments related to the revitalization of the Poolesville High School. His reason for bringing this to the attention of the parents of elementary age children was that the projected construction date was 2014. For me, as a parent of a kindergartener that year, it meant that the then-elementary students would be impacted by the much needed construction as they entered high school.

As the years passed and the economy fluctuated, the revitalization date for Poolesville High School began to slide almost predictably from year to year. Some years, through community advocacy, the slide was prevented but in most years it was not. Pressures due to county populations increases, either not anticipated or seemingly well planned for, have also impacted the schedule.

The building, however, has not stopped its aging and even with the best of building management intentions, the bottom line is that, after some 60 years, the High School is nearing the end of its useful life. Band-Aids on this building, which was originally built to house 6<sup>th</sup>-12<sup>th</sup> graders, will not keep it limping along forever. Also, with new efficiencies available in today's construction methods, maintaining the old structure no longer makes sense. Updated construction means lower maintenance and operating costs. These savings should not be underestimated in the strategic view.

2014 has come and gone and now the projected Poolesville High School revitalization date is 2024....another slip in the CIP schedule imposed just this year. Instead of my son's high school years being impacted, the revitalization will be lucky to occur by the time he gets his graduate degree or even his doctoral degree.

In closing, something different needs to be done to address the issues of school construction funding in Montgomery County and passing the expedited bill 15-16 is part of doing something different. Please support this bill.

Thank you,

Joyce Breiner

Parent of 2015 Graduate, Poolesville High School



12200 Tech Road, Suite 250, Silver Spring, Maryland 20904-1983 Phone: 301-622-2400 Fax: 301-622-2800 www.MHPartners.org

May 10, 2016

The Honorable Nancy Floreen  
President, Montgomery County Council  
Montgomery County Council  
100 Maryland Avenue  
Rockville, MD 20850

Dear Council President Floreen:

On behalf of Montgomery Housing Partnership (MHP), please allow me to take this opportunity to express support for Bill 15-16 Recordation Tax – Rates – Allocations - Amendments.

As you recently heard from us during the Capital and Operating Budget Public Hearings, Montgomery County continues to face an affordable housing crisis. As many of you might have seen the report recently released by Trulia<sup>1</sup>, Silver Spring tops the list of metro areas in the country where low-income residents have been priced out – both at the \$30,000 annual income and \$60,000 annual income, or below, price points. One of the biggest challenges to addressing this crisis is the lack of financial resources to acquire, preserve, and develop affordable housing – specifically the capital money needed to make a deal work. This point was reinforced by the presentation recently given to the Council by Enterprise Community Partners.

Bill 15-16 provides additional financial resources to tackle the abundant need for more affordable housing units. The projected \$30 million in revenue over the next five years will lead to the development and/or preservation of approximately 526 units. 526 additional County families – our nurses, teachers, retail, and food service workers - will have access to stable, affordable housing.

However, it is not enough that we just collect these resources. We must ensure that the recordation taxes allocated do indeed provide the Department of Housing and Community Affairs with the flexibility of use they need to support acquisition, development and preservation, including capital loans to ensure

<sup>1</sup> The report can be viewed at <http://www.trulia.com/blog/trends/priced-out-migration/>.



long-term affordability. The Housing Initiative Fund (HIF) was established as a housing production fund, and we want to ensure that the funds from the recordation tax continue to give DHCA the flexibility to ensure that housing and the rents people pay are affordable. As noted in Councilmember Floreen's memo, this process was used at The Bonifant, and we feel that there are many similar projects where these funds can be used effectively.

Additionally, we would like to suggest one minor amendment to the bill language. On page 1 of the Bill text, Item (a) (2) (A) (line 17). We would request that the Council consider striking the words "County Government". We feel the portion of these funds that will be allocated to capital improvements should support any project in the County CIP budget and not be limited to just County owned projects. As we move towards more public-private partnerships, it is important that the County have flexibility.

Thank you for always looking out for all residents in Montgomery County. We look forward to continuing to work with the County to provide housing to all. Please feel free to reach out to me with any follow-up at [rgoldman@mhppartners.org](mailto:rgoldman@mhppartners.org) or 301-812-4114.

Sincerely,



Robert A. Goldman, Esq.  
President



**STATEMENT OF THE APARTMENT AND OFFICE BUILDING ASSOCIATION OF  
METROPOLITAN WASHINGTON ON  
EXPEDITED BILL 15-16 RECORDATION TAX - RATES - ALLOCATIONS -  
AMENDMENTS**

**MAY 10, 2016**

Good afternoon members of the Council and staff. My name is Nicola Whiteman, and I am the Senior Vice President of Government Affairs for the Apartment and Office Building Association of Metropolitan Washington (AOBA), a non-profit trade association whose members are owners and managers of more than 122,700 apartment units and over 30 million square feet of office space in suburban Maryland, the majority of which, including 63,364 apartment units and more than 24 million square feet of office space, is in Montgomery County. I appear today to express AOBA's opposition to Expedited Bill 15-16 Recordation Tax - Rates - Allocations - Amendments which proposes to increase the school increment and recordation tax premium components of the recordation tax. Notably, the recordation tax increase is in addition to a proposed increase to the real property tax, and no change to a fuel/energy tax which is the third highest source of revenue for the County. The proposal will have an immediate impact on real estate transactions this July by substantially increasing financing costs. Further, with less than two months until the planned July 1 effective date, the bill limits the ability of property owners to adjust underwriting guidelines or negotiate different terms for many pending transactions.

The pending proposal will further increase the cost of doing business in Montgomery County and undermine the County's competitive position in the region. This will not help dispel the perception of Montgomery County as a business-unfriendly jurisdiction. An increase in the number of vacant and foreclosed properties resulting from the higher recordation tax will only reinforce that image for existing businesses and investors and those contemplating doing business in the County. The proposed increase will also exacerbate the many challenges facing the commercial office market, where high vacancies and tenant concessions are predicted for the foreseeable future.<sup>1</sup> It is difficult, for example, for commercial tenants to absorb additional costs in an economy where continued high and rising vacancies, flat rents and slow absorption of the new and let space are the norm. Of course, where challenged market conditions do not permit these costs to be passed through to commercial tenants, the owners would still ultimately have to absorb these increases. Notably, the higher recordation tax is in addition to the many other taxes and fees imposed on sales and refinances at both the state and local levels. The numbers are not inconsequential, as one member calculated that the proposal would have added almost \$500,000 to a recent property acquisition in Montgomery County.

Understanding the full impact of the proposed increase requires the Council to first carefully consider how many commercial loans are structured as well as anticipated developments in the financial market. First, many of these loans are for 10-year terms, thus

<sup>1</sup>Transwestern, Suburban Maryland Office Market, Q1 2016: "Concession packages remained elevated during the first quarter of 2016. For a typical 10-year term on a new lease, tenant improvement allowances averaged \$63.00 PSF with 11 months of free rent outside of the lease term. This is similar to \$65.00 PSF in tenant improvements." See also, Montgomery County vacancy rates: (1) Class A office vacancy rate is 15%; Class B rate is 15.7%. See January 23, 2015 Memorandum re: Public Hearing-Spending Affordability Guidelines for the FY 16 Operating Budget, page 3. See also, Montgomery County Planning Department's June 2015 Office Market Assessment, pages 1-2 ("High vacancies also threaten the financial viability of individual buildings. They pressure each landlord who has vacant space to lower rents or increase concession packages in order to lure tenants, undercutting the building's cashflow and thus its market value. As more buildings are affected, these depressed values could have negative implications for the property tax base of the county, the City of Gaithersburg, and the City of Rockville." ... "Projected occupancy rates do not suggest any near-term relief in these problems. Only significant increases in office-based employment, office building demolitions or conversions to other uses could make a dent in the county's nearly 11 million square-foot vacant office inventory.")

making refinancing and exposure to a high recordation tax rate a frequent occurrence. Secondly, the proposed increase comes at a time when financial markets are predicting additional challenges ahead due to the storm brewing around commercial mortgage backed securities (CMBS) loans.<sup>2</sup> The Council should be mindful that many of these CMBS loans, which were hugely popular in 2007 and many of which are 10-year balloon mortgages, will soon come due in the fourth quarter of 2016 and first quarter of 2017 for refinancing.<sup>3</sup> Given the strict defeasance and prepayment penalties, the only time to refinance is within the narrow 6-month period before maturation. A new, substantial increase to the County's recordation taxes could stand in the way of, or change the structure of, refinances for these commercial loans, and could lead to catastrophic default. If unable to refinance these properties, building owners may be forced to sell properties and at prices far below the loan amount. This will result in lower recordation tax collections and revenues earmarked for the various capital projects and rental assistance programs. AOBA also cautions the Council that owners planning to refinance CBMS loans already face a challenged financial market. CMBS loans are essentially bonds and some industry analysts are questioning whether there will be sufficient investor demand for these loans.<sup>4</sup> Additionally, the ability to refinance assumes an owner has sufficient equity in a

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<sup>2</sup>Real estate's ticking bomb: Who gets hurt, CNBC, Olick, Diana March 10 2016 ("Commercial mortgage backed securities (CMBS) are bonds sold to investors"); US Commercial Mortgage Backed Securities FAQs ("CMBS are bonds, which are backed by commercial real estate collateral.")

<sup>3</sup>Banks to Fed: We've Tightened Commercial Real Estate Lending, Drake, Martin, May 6, 2016 ("CMBS is also facing a looming maturity wall - i.e. the wave of securitized loans that will need refinancing over the next six months."); Real estate's ticking bomb: Who gets hurt ("CMBS tends to have a 10-year life span, at which point the debt matures and real estate owners have to refinance the loans.")

<sup>4</sup>Real estate's ticking bomb: Who gets hurt ("CMBS tend to have a 10-year life span, at which point the debt matures and real estate owners have to refinance the loans. These maturities are expected to surpass \$400 billion annually this year and in 2017, according to CBRE, a real estate services firm. That is \$100 billion more than last year. CBRE "conservatively" estimates that 18 percent of loans this year and 29 percent of loans next year could have problems refinancing, due to lack of investor demand for the bonds. This translates into about \$43 billion in potentially troubled loans over these two years." "We think some of these are going to be remonetized through asset sales, but some will certainly hit the foreclosure list ..."); Coming Due: How CMBS Market Will Handle \$300B Maturing 2015-2017, January 7, 2015, Colomer, Nora ("The amount of commercial mortgage debt maturing is set to spike this

property. Those properties which have not been able to sufficiently increase rents and income and thus increase property values will find refinancing much more challenging.<sup>5</sup> We know, given the current state of the commercial office market in Montgomery County, that this is a reality for many property owners. In other words - the perfect storm. The Council needs to carefully consider all of the consequences of the proposed legislation.<sup>6</sup>

In addition to the anticipated surge in refinancing due to the maturation of the CMBS loans, the County is also bracing for the first real property tax increase in years. Increasing the recordation *and* real property taxes will have a chilling effect on both the residential and commercial real estate market.<sup>7</sup> Despite high vacancy rates (exceeding 25% in some submarkets) and depressed market rents (under \$25/square foot for office buildings in most submarkets), assessments for commercial properties in Montgomery County have shown significant increases over the last three years. Montgomery County assessments increased an average of 27% for the 2016 reassessment for many properties. Even with the increases being phased in over a triennial period, the increases in assessments is untenable for property owners.

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year, when loans taken out during the height of the real estate bubble start coming due. *Between 2015 and 2017, more than \$300 billion will need to be refinanced.”*)

<sup>5</sup>Wall of CMBS Loan Maturities Shrinks, Remains Daunting, Commercial RealEstate Direct, January 19, 2016, (“Healthy real estate market fundamentals have enabled many owners to increase rents and income, which has contributed to an increase in property values and made refinancing easier than it otherwise would be. Borrowers have taken advantage of the strong market fundamentals, the availability of debt capital and relatively low interest rates to defease CMBS loans and refinance properties before their underlying loans mature.”) While owners of challenged properties will still be able to refinance a property, they might face, for example, higher interest rates.

<sup>6</sup>The proposed increase to the recordation tax would create an economic ripple effect beyond the commercial market as well. For example, many of the apartment communities in Montgomery County are owned by real estate investment trusts (“REITs”) and other investment ventures that rely on stable markets so that they can buy and sell properties quickly. REITs are already hesitant to invest in this County, given the high taxes and uncertainty regarding the future of the County’s housing laws. An increase to recordation taxes could further dissuade REITs from investing in the County.

<sup>7</sup>Unfortunately, unlike the homestead deduction and other programs available to offset the real property tax burden for residents, the County provides no such relief to businesses. The County provides some relief in the form of the homestead deduction. Specifically, “there is a ten percent annual assessment growth limitation for residential property that is owner-occupied. As a result of this “homestead tax credit,” these taxable reassessments ... may not grow more than ten percent in one year.” See FY17 Operating Budget and Public Services Program FY16-21, Revenues 5-10.

Real estate taxes for Fiscal Year 2015 already represent a 9% increase over Fiscal Year 2010 real estate taxes. An increase in real estate taxes will have a significant impact on County investors. For example, an increase in the tax rate to \$1.0264 per \$100 of assessed value will lead to an increase of just over \$1.1 million for one of the County's leading investors. An increase to \$1.0084 per \$100 of assessed value will lead to an increase of nearly \$600,000 for this investor. Such increases will have a direct impact on existing and future development.

An additional increase in the tax rate coupled with significant increases in the real estate tax assessments will lead to, among other issues, 1) further increases in vacancies and delinquencies due to tenants' inability to shoulder such heavy increases, 2) increases in deferred maintenance for properties as owners attempt to maintain operating expenses and 3) a continued depression of market rents. As operating costs increase for owners, these costs will be passed onto consumers and residents of Montgomery County. In addition, the resulting increases in vacancy rates and decreases in market rents throughout the County will result in a stall in investments in future development and future repurposing of outdated properties as the economics of such endeavors become financially infeasible. As property taxes continue to increase, a similar increase in recordation taxes will lead to a further decline in development and revitalization of depressed areas in the County. Here again, a very high recordation tax and resulting impact on transaction costs could also lead to increases in deferred maintenance and serve as a disincentive to the many borrowers who use commercial equity loans to finance building renovations. The proposed increase could thus undermine the County's efforts to preserve affordable housing as many owners of existing multifamily buildings will be unable to access equity to finance building improvements. This could also exacerbate the challenged office market and impact property values. Declining property values will in turn impact the County's

real property tax collections which are currently the second largest source of tax revenues.<sup>8</sup> Further, as banks continue to tighten lending, underwriting for new development or repositioning projects will begin to stall.<sup>9</sup> Potential investors will begin to look to neighboring jurisdictions where the tax burden is more reasonable, making development and reposition deals more attractive.

One must also consider the other cost increases building owners and, ultimately, their tenants, are facing. Utility costs, for example, account for a significant percentage of operating costs for commercial and multifamily buildings. This percentage is expected to increase in light of the Pepco rate case pending before the Maryland Public Service Commission (PSC). Pepco's application to the Maryland PSC is for a \$126,784,000 rate increase which is equal to a 29.1% increase in distribution charges plus a \$31.5 million surcharge to be implemented November 18, 2016.<sup>10</sup> Additionally, WSSC is proposing rate increases for FY 2017. These are just a few of the cost increases which, ultimately, our— your-- commercial and residential tenants have to bear.

AOBA and its members are universally committed to making Montgomery County a great place to live, work and play and we support the laudable goals of the legislation – supporting our schools and rental assistance programs. While we do not doubt the good purpose of the proposal, unfortunately the mechanism proposed will have a detrimental effect on property owners in the County. Given the challenges ahead in the financial market and pending increase to the real property tax rate, AOBA strongly believes increasing the recordation tax is the wrong

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<sup>8</sup>Revenues FY 17 Recommended, page 5-9: ("In order of magnitude, however, the property tax and the income tax are the most important with 47.7 percent and 39.9 percent, respectively, of the estimated total tax revenues in FY17.

<sup>9</sup>Banks to Fed: We've Tightened Commercial Real Estate Lending, Drake, Martin, May 6, 2016 ("In the latest Fed Survey on Bank Lending Practices, US banks say they tightened commercial real estate lending in Q1, despite anecdotal evidence that says otherwise. The tightening comes after regulators' late 2015 condemnation of lending practices at US banks saying that standards look similar to just before the 2008 crisis—especially with high-risk, leveraged loans. Banks also increased their originations and decreased securitizations of commercial real estate loans over the past six months in the face of turbulence in the CMBS markets, GlobeSt reports.")

<sup>10</sup>See Pepco Application, Exhibit JFJ-1, Case No. 9418, filed April 19, 2016.

vehicle for accomplishing the stated goal of the legislation. AOBA is committed to partnering with the County and the Council on identifying alternative, equitable and balanced solutions to the County's' educational and housing needs.

(12)

2

Testimony of Ed Krauze  
Expedited Bill 15-16  
Tuesday, May 10, 2016 at 1:30pm  
"THERE IS A BETTER WAY"

First, I need to give a shout out to my fellow parents. Many do great work helping their schools at every opportunity.

My name is Ed Krauze. I work for GCAAR, but first and foremost I am a dad - an MCPS parent who has served as Vice-President of my PTA, a Cluster Representative, and a Committee Member of numerous boundary studies in the last 5 years that came about as a result of school population increases. I know and understand the value of capital improvements and so does GCAAR.

GCAAR SUPPORTS SCHOOLS

Since 1942, our Realtor Association has been helping REALTORS® and their clients find homes here in Montgomery.

REALTORS® helped people find homes as schools were built in the 50-60s, closed and sold in the 70-80-90s and now again.

In fact, near our old Kensington office, we see first hand the arc of MCPS Capital Improvement.

1937 - Kensington Jr. High opens

1979 – Kensington Jr. High closed due to low enrollment

1987 – Kensington Jr. High was razed.

Now in 2017 – a new \$50 million Middle School will rise again.

Our members have sold in all of the approximately all 131 Elementary Schools, 38 Middle School, and 25 High School neighborhoods. We know a thing or two about MCPS schools.

We have heard the argument new homebuyers bring new students therefore we need a recordation tax increase. Is that completely true? MCPS has told us there are more students, but does MCPS know the student population growth actually came from home buying families?

(70)

MCPS only does spot check audit matches of students to their home address when a flag is raised. And if you really want to research check out the MCPS COSA – Change of School Assignment - Process that allows students to transfer into overcrowded schools without even considering the potential capital improvements costs.

MCPS may know children come from a single family home address, but do they know whether the school family is renting or buying?

Since 2008 we have seen families RENT single families homes to send their children to MCPS. REALTORS know because we often are the ones helping a family find a home to BUY OR RENT.

Come to my bus stop, I will introduce you to all the new families who have chosen to rent in my single-family home neighborhood.

We value schools and understand the need for school construction. In fact, we could probably support just about everything the PTAs will say.

GCAAR DOES NOT SUPPORT HOW THIS RUSHED LEGISLATION  
PITS PTAs versus HOMEOWNERS

However, what we cannot support is HOW this legislation pits schools against homeownership and is being steam rolled through on the backs of a small group of people who value homeownership.

Councilmember Floreen, we supported you and many of your efforts since 2002 when you first ran for the Montgomery County Council. We saw you as a Champion of Good Government and Fiscal Responsibility through the years.

That's why it's so hard for us to understand why as Council President are now rushing a \$185 million tax increase in less than a month.

April 19 – \$185 million recordation tax increase introduced.

Last week – The witness list was closed and people were given the option to go to a wait list or stop signing up. You were kind enough to help us after we called, but will we ever know all those who were deterred.

May 10 – Bill given its one and only one hearing at 1:30 on a Tuesday afternoon.

*County Executive Leggett spent almost two years going to town halls, forums, and meetings explaining why a property tax increase was coming.*

May 12 - The Bill goes to Committee

May 16 or 18<sup>th</sup> - “non-binding” but effectively FINAL STRAW VOTE on \$185 million or maybe even more shockingly a \$196 million recordation tax increase.

***This's doesn't feel like good government.***

***This doesn't feel like the Montgomery County way***

We also don't understand why you would hide behind the need for more schools to raise another \$60 million in Recordation Taxes for things that have nothing to do with schools.

\$30 million for rental assistance programs and another \$30 million in Capital Improvements projects (that may or may not ultimately include a Council Building renovation and Council Parking Rehab).

Nor do we understand, why yet another 25 cent recordation increase was added on top of your initial legislation in the initial reconciliation of the CIP

***This doesn't feel like good government OR fiscally responsible.***

***This does not feel like the Montgomery County way***

It feels like a runaway Council tax train that can't seem to find its own brakes.

**REAL PEOPLE WILL BE HURT by this recordation tax increase**

A \$500,000 home will take \$4,005 out of someone's pocket for Recordation Taxes

A \$700,000 home will take \$6,705 out of someone's pocket

A \$900,000 home will take \$9,405 out of someone's pocket

Literally thousands of dollars out of someone's pocket at one moment in time when they may need it most

### THERE IS A BETTER WAY

#### 1 - Equitable Broad Based Property Taxes

County Executive Leggett initially suggested a 3.94 cent property tax increase he has since lowered it to 2.1

Increasing Property Taxes by 1.5-1.6 cents (Glen Orlins own numbers) will generate the \$185 million you are looking for. That's still less than Ike's initial proposal.

#### 2 - Eliminate the \$60 million in recordation tax funding for non-school construction projects.

If you want to take care of schools, take care of schools, don't try to roll other program funding in on the backs of buyers, sellers, and those looking to refinance.

#### 3 - Find other funding sources

Take the time and work with us to find a better more equitable solution that shares the burden of lifting MCPS with all the community.

We have written to both the Montgomery County Board of Education and Council of PTA with an "Invitation to Work Together" to find stable an equitable funding solutions.

We stand ready to work with anyone with you, your Council colleagues, the Board of Ed, the Council of PTAs or anyone else who is willing to help more equitable funding for MCPS' Capital Improvements.

**WE SUPPORT SCHOOLS.**

**WE DO NOT SUPPORT A RECORDATION TAX.**

**THERE IS A BETTER WAY**

Celebration to Krause

12

To : Montgomery County Council

May 10, 2016

Dear Montgomery County Council

My name is Kerry Roth, REALTOR with RE/MAX Realty Group. I am member of the Greater Capital Area Association of Realtors, Maryland Association of Realtors, and National Association of Realtors who has served home buyers and sellers in our community for over 17 years.

I am greatly alarmed by Council President Nancy Floreen's proposal to raise the recordation tax for Montgomery County homebuyers. This proposal seriously threatens the county's housing market. WHY are you targeting homebuyers with whom you have worked to bring into the county, and who provide stability, long-term investment, and significant property and other tax income to the County?

DO NOT raise taxes on the county's approximately 12,000 homebuyers per year to pay for services for the county's 1,000,000 residents. HOME OWNERSHIP must remain a priority for the stability of the County. Find FAIR, EQUITABLE, and PREDICTABLE solutions and STOP overburdening those who provide long-term investment in our communities.

Sincerely



Kerry Roth, CRS, GRI

REALTOR

RE/MAX Realty Group

**WALTER JOHNSON CLUSTER TESTIMONY  
IN FAVOR OF INCREASING THE RECORDATION TAX  
MAY 10, 2016**

**Walter Johnson High School – North Bethesda Middle School – Tilden Middle School –  
Ashburton Elementary School – Farmland Elementary School – Garrett Park Elementary  
School – Kensington Parkwood Elementary School – Luxmanor Elementary School –  
Wyngate Elementary School – Rock Terrace School**

Good afternoon President Floreen, Vice President Berliner, and other members of the Council. Joe Piff, Liz King, and Howie Philips are Cluster Coordinators for the Walter Johnson (“WJ”) cluster and are submitting this testimony for your consideration.

This bill means progress for everyone! Because it increases the funds for school construction, it is good for schools, good for communities, good for homebuyers (and sellers), and good for the future of our County.

And, it comes just in time. Clusters across the County desperately need more school construction money. In fact, they have for years, as construction projects have been delayed year after year after year.

Some of you may be thinking, “Is this tax increase really needed or is MCPS just crying wolf?” So, let’s talk about those needs - countywide. The MCPS recommended 2017 – 2022 Capital Improvement Program (CIP) Budget, if fully funded, would add about 12,000 seats to our County schools over that six year period. However, the increase in student enrollment this school year was over 2,600 students, and is very similar to the increases experienced over the past few years. So, over that same six year period, MCPS may see student enrollment increase by 15,600 students. Even with a fully funded Board budget, our County schools would likely fall over 3,000 seats short in just the next six years – 3,000 seats further behind than we already are. And, since there are approximately 8,800 students in what are called “portable classrooms,” we are already 8,800 seats behind!

Now, let’s consider the needs in the Walter Johnson cluster. Seven of the ten schools will need additions or rev/exes in the next six years. Depending on the Superintendent’s decision on the results of the current MCPS Roundtable, an eighth school building may need funding. The Board of Education’s proposed MCPS capital budget would enable us to build some of those projects – but not all. We also need a solution for Walter Johnson High School, which will be at least 530 students over capacity in six years. That solution is still being considered within the Roundtable, but it could cost an additional \$40 to \$115 million, beyond the funding proposed in the Board budget. As you can see, the CIP needs in the Walter Johnson Cluster are significant and there are 18 other Clusters and Consortia that also have needs.

But we know the County is struggling to fund that Board budget – as the County Executive’s proposed MCPS capital budget is \$160 million less than the Board budget. So, is the recordation tax increase necessary? Absolutely! We need Bill 15-16, and the \$125 million it will provide toward school construction, as a first step towards closing that \$160-million gap. And, we need Bill 15-16 towards funding urgent projects like those in the WJHS Cluster that are yet to come.

Bill 15-16 raises school construction funds in a way that is efficient and fair. The proposed increase in the recordation tax is efficient because it is targeted – it only affects the portion of the tax that was imposed with special purposes. Those purposes include the MCPS

capital budget. The increase in the school increment of the tax is fair because it is proportional – people who have less expensive houses pay less in tax. And, while closing costs are an important consideration when buying a home, they only occur at closing. A person or family can stay in a home for 20 years (while the children go from Kindergarten through high school, for example) and only pay the full cost of the recordation tax once – half on buying and half on selling the home.

Finally, Bill 15-16 raises funds in a way that builds our communities and strengthens our County. We have testified previously that people with children want to live in Montgomery County for both job and educational opportunities. They are expecting excellent schools, both in terms of the teaching staff and the quality and capacity of the facilities. They may not know that a part of this tax is dedicated to our schools, but they will appreciate the effect.

Within the Walter Johnson Cluster, we have had some school renovation and expansion (Rev/Ex) projects completed (Walter Johnson H.S. (opened 2009), Farmland E.S. (opened 2011), Garrett Park E.S. (opened 2012). We LOVE our new school buildings and believe they significantly increase community pride, have a positive effect on educational achievement, and, as an ancillary effect, also improve our property values. Additionally, we believe that we can recruit highly qualified teachers to work in these modern buildings that have been specifically designed and constructed with today's students and their educational needs in mind.

We believe that neighborhood school construction results in great schools; great schools enable great communities; great communities attract eager homebuyers; and, eager homebuyers establish a robust property market from which all community residents benefit. The increased recordation tax is a short-term cost for long-term gain.

Bottom line: Increasing the Recordation Tax as presented in bill 15-16 is a strong step in the right direction.

Thank you.

May 10, 2016

Good afternoon Councilmembers,

My name is Debby Orsak and I am speaking to you today on behalf of Ashburton Elementary School. We wholeheartedly support Expedited Bill 15-16. Our cluster is bursting at the seams with students and hurting due to a lack of real classrooms to educate them in.

Ashburton Elementary School continues to experience exponential enrollment growth within our boundaries. We pride ourselves in providing the excellent education that MCPS is known for, but face challenges in doing so with our large population of students. Currently, Ashburton's enrollment is at 942 children...a whopping 290 students more than we were designed to accommodate. That is 45% over capacity; almost like cramming twelve people into a car designed for eight. Enrollment continues to increase, yet the funding for capital improvement projects within the county does not keep pace with the urgent needs systemwide.

Ashburton is at a breaking point. We literally have students whose reading classes are in converted closets, and instrumental music also being offered in similar aforementioned closets. The cafeteria is so undersized that it can only hold one grade level of students at a time, so lunch begins at 10:35 am and ends at 1:55 pm. Due to a lack of space, we have entire grades worth of classes lining the hallways eating their snacks. Talk about mmm, mmm good! That is mmm, mmm disgusting.

Help is needed in the form of funding. Our administrators have done all they can do to make our cramped school function. We need more funds for construction. And that is the genius of this bill. It provides these funds to our schools in a fair and proportional manner.

This is a multi-school dilemma. Ashburton is but a symptom of a much larger, cluster-wide problem that affects all of our schools. Seven of our ten Walter Johnson Cluster schools will need additions or rev/exes in the next 6 years. Walter Johnson High School is projected to be more than 530 students over capacity by 2021. MCPS, taking into account coming development, has projected that our cluster schools will receive 1,300 more elementary school students and 850 more middle school students in the coming years. These children cannot be accommodated in the current facilities. Additional funding for school construction is needed to meet not only our urgent needs, but also the needs across the cluster and the entire County.

Thank you for your consideration.

Testimony to the Montgomery County Council regarding Expedited Bill 15-16  
Recordation Tax - Rates - Allocations - Amendments  
Delivered by Paul Geller – Sherwood Cluster Coordinator for MCCPTA  
Tuesday, May 10, 2016

Councilmembers,

Aloha!

We have waited **Long & Foster-ed** such a bill. **Weichert** wait any longer? The time has come for us to transform from **Fairweather** fans hoping for the best to realistic residents with our feet firmly planted in **Century 21**. Yes, it is time to **Re/Max-imize** our schools. And Expedited Bill 15-16 will do just that. You can **Caldwell Banker** on it! C'mon, you have to admit I **Berkshire Hathaway** (read: sure have a way) with words, no?

Good afternoon! My name is Paul Geller and I am honored to be here on behalf of the Sherwood Cluster of MCCPTA and all the good folks across the MCPS universe who believe in and wholeheartedly support Expedited Bill 15-16. This bill raises a modest amount of revenue to support MCPS school construction and provide rental assistance to those with low and moderate incomes. We all know the cost of renting in our county is high because this is an awesome place to live. So that part seems like a no-brainer. That said, unless you spend time in the schools and truly feel the growing pains we are experiencing, this seems like an abstract concept. Allow me, in artistic dalliance, to de-Salvadore Dali this whole issue for everyone, especially my wonderfully activist Realtor friends, many of whom I am honored to serve with in PTA and call my friends.

If you ever want your heart broken, be a Chicago Cubs fan. Those lovable Cubbies have not been World Series Champions since 1908. Heck, the last World Series they even appeared in was back in 1945. However, my heart breaks every day for the images I have burned into my brain that I have seen in our schools. My family and friends all know the angst that tears at me about this issue. All are familiar with the determined efforts over the last three years of me and my PTA compadres to secure funds to address this issue. Let me share my concerns with you here today.

On a cold November day in 2014 I had the honor of touring the Carl Sandburg Learning Center. This wonderful gem of the MCPS universe is tucked away about a mile off of 355 in Rockville. The ninety or so incredible kids served by this unique center are differently abled. They already have more challenges to face than I can ever imagine. Yet the state of their building is deplorable. A Board of Education Member and I were given a tour. In one room we visited, the temperature had to be fifty-five degrees. Yet there was a student, wearing a short sleeved, collared shirt. Seeing shock all over my face, our tour guide quickly whisked us out and explained the situation. The student, like many others, had sensory issues and was used to a strict routine. If a sweater or jacket would have been put on the child, a meltdown could have followed which may have required additional staff to address. This in turn would have caused the child to be upset for the rest of the day. Not good at all.

“But wait! There's more!” Now I am sounding like a Ron Popeil add for the Ronco Pocket Fisherman!

Another sickening sight awaited me at Summit Hall Elementary School. Here students literally study in the hallways. And a portable classroom is so ancient their current PTA President (and my friend), Oscar Alvarenga, attended class in that same exact “structure.” Studying is also common in a

hallway at Benjamin Banneker Middle School. Allow me to reiterate...this is in Montgomery County and not on another continent.

Any time anyone in this room wants to, I would be more than happy to personally take them on a tour of these schools and let them share the deep drive to make a change comes from within my soul. Situations such as these just plain need to be rectified stat. And as someone about to take the helm of the largest membership organization in the county, I plan on giving this issue and others the full attention they deserve and working with all of you to make our county the best in the land once again.

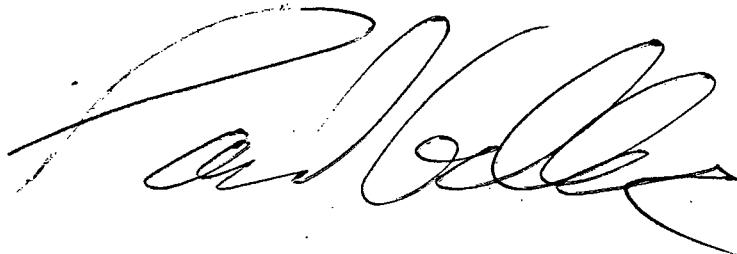
Now, since all the Realtors I know are really good at math...especially percentages (wink, wink)...let us calculate the true cost of this Expedited Bill 15-16.

According to the Long & Foster Market Minute website this morning (<http://www.longandfoster.com/Market-Minute/MD/Montgomery-County.htm>), the median sale price for a home in Montgomery County is \$385,000. For convenience sake, we can round that up to \$400,000. A change in the Recordation Tax by \$1.00/\$500, the highest amount detailed in the Council President's proposal dated April 12, 2016, would mean a difference of only \$700. Using the standard average of seven years (2,556 days) on average that people live in their homes we can come up with an interesting math equation:  $\$700/2,556 \text{ days} = \$0.27 \text{ cents a day}$ . Yes folks, you read/heard that correctly, all this excitement is over about a quarter a day (at the highest amount proposed no less!) added to the average home sale price...and I even rounded that number up by \$15,000!

So let's see what that quarter per day buys: construction for classrooms desperately needed all across the county; better conditions for students, teachers, staff and administrators; the additional pride in knowing we have great school buildings which, as an ancillary effect, probably add significantly more to property values than the paltry twenty-five cents per day that, oh yes, we pay once and is rolled up into most of our mortgages and we never notice anyway. Tada!

These are my kids one and all. They are your kids too. They are all of our kids. For this is Montgomery County and we all need to work together to help make the magic happen. We are not asking for gold plated fixtures. We are simply asking for the same conditions we were fortunate enough to have in our public schools when we were growing up. Not many portables were around then. Nor were there many around during the Baby Boom before that. Let's do right by our students and the community. Let's pass Expedited Bill 15-16 and make the world a better place one school project at a time.

Thank you!



Paul Geller  
Sherwood Cluster Coordinator, 7<sup>th</sup> Grade PTA Vice President at Rosa M. Parks Middle School  
and PTSA Lead at Belmont Elementary School, Maryland's most engaged PTA/PTSA!

## Circuit Court Deed Calculation for Fairfax Circuit

Court uses its own cover sheet. Please contact the court for instructions.

<b>Deed Type:</b>	DBS --> DEED (BARGAIN AND SALE)
<b>Grantor Exempt:</b>	N
<b>Grantee Exempt:</b>	N
<b>Consideration Amount:</b>	\$500,000.00
<b>Assume/Value Amount:</b>	\$500,000.00
<b>Locality Percent:</b>	100.00000%
<b>Pages:</b>	1
<b>Names:</b>	0
<b>O/P:</b>	0
<b>Date:</b>	5/13/2016

<b>Fee</b>	<b>Amount</b>
Clerk Recording and Indexing Fee (301)	\$ 14.50
VSLA (145)	1.50
Technology Trust Fund (106)**	5.00
State Grantee Tax (039)	1,250.00
Local Grantee Tax (213)	416.67
State Grantor Tax (038)	250.00
Local Grantor Tax (220/223)	250.00
Transfer Fee (212)	1.00
Regional Congestion Relief Fee (014)	750.00
Virginia Outdoors Foundation (035)	1.00
Processing Fee (036)*	20.00
Copy Fee (236)	0.00
<b>Total:</b>	<b>\$ 2,959.67</b>

\*Clerk and Deed Processing Fees do not apply to any agency of the Commonwealth of Virginia.

\*\*The Technology Trust Fund fee does not apply to any federal, state, or local government.

## Circuit Court Deed Calculation for Arlington Circuit

To create/print a Cover Sheet, click [VLRCS link](#). [VLRCS Tutorial](#)  
Court requires a cover sheet.

<b>Deed Type:</b>	DBS --> DEED (BARGAIN AND SALE)
<b>Grantor Exempt:</b>	N
<b>Grantee Exempt:</b>	N
<b>Consideration Amount:</b>	\$500,000.00
<b>Assume/Value Amount:</b>	\$500,000.00
<b>Locality Percent:</b>	100.00000%
<b>Pages:</b>	1
<b>Names:</b>	0
<b>O/P:</b>	0
<b>Date:</b>	5/13/2016

<b>Fee</b>	<b>Amount</b>
Clerk Recording and Indexing Fee (301)	\$ 14.50
VSLA (145)	1.50
Technology Trust Fund (106)**	5.00
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\*Clerk and Deed Processing Fees do not apply to any agency of the Commonwealth of Virginia.

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Resolution No: 17-312  
Introduced: November 29, 2011  
Adopted: November 29, 2011

**COUNTY COUNCIL  
FOR MONTGOMERY COUNTY, MARYLAND**

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By: Government Operations and Fiscal Policy Committee

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**SUBJECT:** Reserve and Selected Fiscal Policies

**Background**

1. Fiscal policy corresponds to the combined practices of government with respect to revenues, expenditures, debt management, and reserves.
2. Fiscal policies provide guidance for good public practice in the planning of expenditures, revenues, and funding arrangements for public services. They provide a framework within which budget, tax, and fee decisions should be made. Fiscal policies provide guidance toward a balance between program expenditure requirements and available sources of revenue to fund them.
3. As a best practice, governments must maintain adequate levels of fund balance to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. Fund balance levels are a crucial consideration, too, in long-term financial planning. Credit rating agencies monitor levels of fund balance and unrestricted fund balance in a government's general fund to evaluate a government's continued creditworthiness.
4. In FY10, the County experienced an unprecedented \$265 million decline in income tax revenues, and weathered extraordinary expenditure requirements associated with the H1N1 flu virus and successive and historic winter blizzards. The costs of these events totaled in excess of \$60 million, only a portion of which was budgeted and planned for.
5. In a memorandum dated April 22, 2010, the County Executive recommended that the County Council restore reserves first to the current 6% policy level for FY11 and also revise and strengthen policy levels in order to more appropriately position the County to weather economic cycles in the future, and to achieve structural balance in future budgets.
6. The County's financial adviser recommended that the County strengthen its policy on reserves and other fiscal policies to ensure budget flexibility and structural stability, and provided specific recommendations, which are reflected below.

7. On June 29, 2010 the Council approved Resolution No. 16-1415, *Reserve and Selected Fiscal Policies*. This Resolution established a goal of achieving the Charter §310 maximum for the reserve in the General Fund of 5% of General Fund revenues in the preceding fiscal year, and of building up and maintaining the sum of Unrestricted General Fund Balance and Revenue Stabilization Fund Balance to 10% of Adjusted Governmental Revenues (AGR), as defined in the Revenue Stabilization Fund law.
8. The County's reserve policy should be further clarified and strengthened. This resolution replaces the reserve policy established in Resolution No. 16-1415.

**Action**

The County Council for Montgomery County, Maryland approves the following policies regarding reserve and selected fiscal matters:

1. **Structurally Balanced Budget**

Montgomery County must have a goal of a structurally balanced budget. Budgeted expenditures should not exceed projected recurring revenues plus recurring net transfers in minus the mandatory contribution to the required reserve for that fiscal year. Recurring revenues should fund recurring expenses. No deficit may be planned or incurred.

2. **Use of One-Time Revenues**

One-time revenues and revenues in excess of projections must be applied first to restoring reserves to policy levels or as required by law. If the County determines that reserves have been fully funded, then one-time revenues should be applied to non-recurring expenditures that are one-time in nature, PAYGO for the CIP in excess of the County's targeted goal, or unfunded liabilities. Priority consideration should be given to unfunded liabilities for retiree health benefits (OPEB) and pension benefits prefunding.

3. **PAYGO**

The County should allocate to the CIP each fiscal year as PAYGO at least 10% of the amount of general obligation bonds planned for issue that year.

4. **Fiscal Plan**

The County should adopt a fiscal plan that is structurally balanced, and that limits expenditures and other uses of resources to annually available revenues. The fiscal plan should also separately display reserves at policy levels, including additions to reserves to reach policy level goals.

5. County Government Reserve

- (a) **County Government Reserve.** The County Government Reserve has three components. The components of the budgeted reserve at the end of the next fiscal year are:
- (i) **Reserve in the General Fund.** The County's goal is that this reserve will be the maximum permitted by §310 of the Charter, which is 5% of revenues in the General Fund in the previous fiscal year;
- (ii) **Reserve in the Revenue Stabilization Fund (RSF).** This budgeted reserve at the end of the next fiscal year is the reserve at the beginning of the year, plus interest on the fund balance, plus a mandatory transfer from the General Fund, as defined in the Revenue Stabilization Fund law, plus a discretionary transfer if the Council approves one. The actual amount of the mandatory transfer is calculated in accordance with §20-68 of the Montgomery County Code; and
- (iii) **Reserve in the other tax supported funds in County Government.** The budgeted reserve at the end of the next fiscal year for the following funds – Fire, Mass Transit, Recreation, Urban District, Noise Abatement, Economic Development, and Debt Service – and any other tax supported County Government fund established after adoption of this resolution, should be the minimum reserve possible (as close as possible to zero, but not negative), since the Council sets the property tax rate to the nearest one tenth of 1¢.
- (b) **Calculation of budgeted reserve as a percent of Adjusted Governmental Revenues.** The target reserve as a percent of Adjusted Governmental Revenues is the sum of the reserves in the General Fund and the Revenue Stabilization Fund divided by Adjusted Governmental Revenues, as defined in the Revenue Stabilization Fund law. The reserves in the other tax supported funds in County Government are not included in this calculation.
- (c) **Budgeted reserve as a percent of Adjusted Governmental Revenues.** To reach the County's goal of 10% of AGR in 2020, the annual minimum target goals are:

FY13	6.4%
FY14	6.9%
FY15	7.4%
FY16	7.9%
FY17	8.4%
FY18	8.9%
FY19	9.4%
FY20 and after	10.0%

The Council may make a discretionary transfer each year from the General Fund to the Revenue Stabilization Fund, if necessary, to reach the target goal for each year. The 10% goal for FY20 and after must be reflected in the Revenue Stabilization Fund law.

6. Reserves in other agencies

The reserves for the Montgomery County Public Schools (MCPS), the Maryland-National Capital Park and Planning Commission (M-NCPPC), and Montgomery College (MC) are not included in the target reserves for County Government. The County's reserve policies for these agencies are:

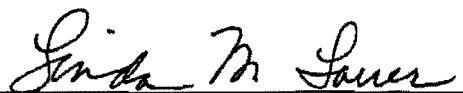
- (a) **MCPS.** The Council should not budget any reserve for the MCPS Current Fund.
- (b) **M-NCPPC.** The reserve in the Park Fund should be approximately 4.0% of budgeted resources. The reserve in the Administration Fund should be approximately 3.0% of budgeted resources. The reserve in the Advance Land Acquisition Debt Service Fund should be the minimum reserve possible, since the Council sets the property tax rate to the nearest one tenth of 1¢.
- (c) **Montgomery College.** The reserve in the Current Fund should be 3.0% - 5.0% of budgeted resources minus the annual contribution from the County. The target reserve in the Emergency Plant Maintenance and Repair Fund – as stated in Resolution No. 11-2292, approved by the Council on October 16, 1990 – “may accumulate up to \$1,000,000 in unappropriated fund balance, such goal to be attained over a period of years, as fiscal conditions permit.”

7. Reports to Council

The Executive must report to the Council:

- (a) the prior year reserve and the current year reserve projection as part of the annual November/December fiscal plan update;
- (b) current and projected reserve balance in the Executive's annual Recommended Operating Budget;
- (c) any material changes expected to have a permanent impact on ending reserve fund balance; and
- (d) current and projected reserve balances in any proposed mid-year savings plan.

This is a correct copy of Council action.

  
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Linda M. Lauer, Clerk of the Council