



**Committee:** GO

**Committee Review:** At a future date

**Staff:** Robert H. Drummer, Senior Legislative Attorney

**Purpose:** To introduce agenda item – no vote expected

**Keywords:** #RecordationTax

AGENDA ITEM 1E

July 29, 2020

**Introduction**

## SUBJECT

Expedited Bill 39-20, Taxation - Recordation Tax – Amendments

Lead Sponsor: Council President at the request of the Planning Board

## EXPECTED ATTENDEES

None

## COUNCIL DECISION POINTS & COMMITTEE RECOMMENDATION

- To introduce Bill – no vote expected

## DESCRIPTION/ISSUE

Expedited Bill 39-20 would increase the rate of the recordation tax levied under state law for certain transactions involving the transfer of property and would establish a partial exemption from the recordation tax for a first time home buyer. Bill 39-20 would also amend the allocation of revenue received from the recordation tax to capital improvements for schools and to the Montgomery Housing Initiative Fund.

## SUMMARY OF KEY DISCUSSION POINTS

- Do changes to the recordation tax align with County policies?
- Are the proposed changes to the recordation tax rates reasonable and should discounts be provided for a first time home buyer?

### This report contains:

Expedited Bill 39-20

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Legislative Request Report

©4

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**M E M O R A N D U M**

July 27, 2020

TO: County Council

FROM: Robert H. Drummer, Senior Legislative Attorney  
Pamela Dunn, Senior Legislative Analyst

SUBJECT: Expedited Bill 39-20, Taxation - Recordation Tax – Amendments

PURPOSE: Introduction – no Council votes required

Expedited Bill 39-20, Taxation - Recordation Tax – Amendments, sponsored by Lead Sponsor Council President at the request of the Planning Board, is scheduled to be introduced on July 29, 2020. A public hearing is tentatively scheduled for September 15 at 7:30 p.m.<sup>1</sup>

Expedited Bill 39-20 would increase the rate of the recordation tax levied under state law for certain transactions involving the transfer of property and would establish a partial exemption from the recordation tax for a first time home buyer. Bill 39-20 would also amend the allocation of revenue received from the recordation tax to capital improvements for schools and to the Montgomery Housing Initiative Fund.

Code §33A-15(b)(2) requires the Planning Board to approve and send to the Council a recommended Subdivision Staging Policy by August 1. The Planning Board often recommends other legislative changes concurrent with its recommended changes to the Subdivision Staging Policy (SSP). Bill 39-20 is one of the Planning Board's recommended changes to law.

On July 30, the Planning Board is scheduled to approve the 2020-2024 Subdivision Staging Policy (SSP) and related legislative changes, including Bill 39-20. In order to provide additional opportunity for the public and the Council to review the Board's recommendations, Bill 39-20 is being introduced before the Planning Board's final action on the SSP. If the Planning Board modifies any of its recommendations for Bill 39-20, these modifications will be noted at the Council's public hearing in September.

This packet contains:

Expedited Bill 39-20

Legislative Request Report

Circle #

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<sup>1</sup>#RecordationTax

Expedited Bill No. 39-20  
Concerning: Taxation - Recordation Tax  
                  - Amendments  
Revised: 7/24/2020 Draft No. 1  
Introduced: July 29, 2020  
Expires: January 29, 2022  
Enacted: \_\_\_\_\_  
Executive: \_\_\_\_\_  
Effective: \_\_\_\_\_  
Sunset Date: None  
Ch. \_\_\_\_\_, Laws of Mont. Co. \_\_\_\_\_

## COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

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Lead Sponsor: Council President at the request of the Planning Board

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**AN EXPEDITED ACT to:**

- (1) increase the rate of the recordation tax levied under state law for certain transactions;
- (2) amend the exemptions from the recordation tax for certain transactions;
- (3) allocate the revenue received from the recordation tax for certain uses; and
- (4) 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>
<u>Underlining</u>	<i>Added to existing law by original bill.</i>
<b>[Single boldface brackets]</b>	<i>Deleted from existing law by original bill.</i>
<u>Double underlining</u>	<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:*

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

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

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

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

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

(B) [~~\$2.37~~] \$2.87, of which the net revenue must be reserved for and allocated to the cost of capital improvements to schools; and

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

(A) an additional \$2.30 for each \$500 or fraction of \$500 of the amount over \$500,000, of which the net revenue must be reserved for and allocated equally to:

~~[(A)]~~ (i) the cost of County government capital improvements; and

~~[(B)]~~ (ii) rent assistance for low and moderate income households, which must not be used to supplant any otherwise available funds[.];  
and

(B) an additional \$0.50 for each \$500 or fraction of \$500 of the amount over \$500,000, of which the net revenue must

be reserved for and allocated to the cost of capital improvements to schools; and

(3) if the consideration payable or principal amount of debt secured for a single-family dwelling unit exceeds \$1,000,000, an additional \$1.00 for each \$500 or fraction of \$500 of the amount over \$1,000,000, of which the net revenue must be reserved for and allocated to the Montgomery Housing Initiative under Section 25B-9.

(b) *Exemptions.*

(1) The first \$100,000 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.

(2) The first \$500,000 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 a first-time home buyer.

**Sec. 2. Expedited Effective Date.**

The Council declares that this legislation is necessary for the immediate protection of the public interest. This Act takes effect on January 1, 2021 and must apply to any transaction which occurs on or after January 1, 2021.

51 *Approved:*

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Sidney Katz, President, County Council Date

55 *Approved:*

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Marc Elrich, County Executive Date

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

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Selena Mendy Singleton, Clerk of the Council Date

## LEGISLATIVE REQUEST REPORT

### Expedited Bill 39-20 *Taxation - Recordation Tax – Amendments*

<b>DESCRIPTION:</b>	Expedited Bill 39-20 would increase the rate of the recordation tax levied under state law for certain transactions involving the transfer of property and would establish a partial exemption from the recordation tax for a first time home buyer. Bill 39-20 would also amend the allocation of revenue received from the recordation tax to capital improvements for schools and to the Montgomery Housing Initiative Fund.
<b>PROBLEM:</b>	This Bill is part of the Planning Board's recommended changes to the Subdivision Staging Policy.
<b>GOALS AND OBJECTIVES:</b>	Amend the recordation tax rates and allocation of revenue.
<b>COORDINATION:</b>	The Planning Board and Planning Department staff
<b>FISCAL IMPACT:</b>	Office of Management and Budget
<b>ECONOMIC IMPACT:</b>	OLO
<b>EVALUATION:</b>	To be determined.
<b>EXPERIENCE ELSEWHERE:</b>	To be researched.
<b>SOURCE OF INFORMATION:</b>	Pamela Dunn, Senior Legislative Analyst and Robert H. Drummer, Senior Legislative Attorney
<b>APPLICATION WITHIN MUNICIPALITIES:</b>	To be researched.
<b>PENALTIES:</b>	None.