



House Bill 1236

Recordation and Transfer Taxes – Low Income Housing Projects – Controlling Interest

MACo Position: **SUPPORT**

To: Budget and Taxation Committee

Date: April 4, 2013

From: Andrea Mansfield

The Maryland Association of Counties (MACo) **SUPPORTS** HB 1236 as amended. This bill specifies that the recordation and transfer tax payable for the transfer of a controlling interest in a low-income housing project would be based on the actual payment made by the purchaser to the seller instead of the value of the real estate. The amendments define the term “real property entity.”

MACo believes HB 1236 would preserve affordable housing in communities across the state by making it more affordable for a partnership interest to be transferred to a general partner in order to continue to operate the property as affordable rental housing. As specified in the bill, this transfer would only apply to those properties developed under Section 42 of the Internal Revenue Code, the Low Income Housing Tax Credit Program.

Housing projects developed through the Low Income Housing Tax Credit Program must be approved by the Department of Housing and Community Development, and typically have the support or financing from a local government. To be eligible for the credit, the residential rental building must remain in compliance with the low-income housing criteria for a minimum of 15 years. At the end of the 15 years, it is typical for the limited partner interest in a project to be transferred to the general partner or a related partner. Many times, this is a nonprofit entity who wishes to keep the property as affordable housing.

When these transfers take place, the amount paid to the exiting partner is some portion of the original equity investment or federal and State income tax obligations, not the full value of the real estate. HB 1236 is attempting to clarify the amount paid for a controlling interest in a real property entity used for this purpose, making it more affordable for a nonprofit partner to assume ownership of the building and keep it as affordable housing.

MACo urges the Committee to issue a **FAVORABLE** report on HB 1236 as amended.