



House Bill 465

State Department of Assessments and Taxation - Distribution of Recordation and Transfer Tax Revenues

MACo Position: **SUPPORT**

To: Budget and Taxation Committee

Date: April 3, 2019

From: Kevin Kinnally

The Maryland Association of Counties **SUPPORTS** HB 465. This bill would simplify the process for collecting and distributing local recordation and transfer taxes, avoiding administrative complications that have historically resulted in incomplete local distributions.

County recordation taxes, just like state and county transfer taxes, are collected when real property is sold or transferred. Most county recordation taxes are collected by either the clerk of the court or the county finance office when deeds are recorded. However, when real property transfers hands because of a business entity merger or consolidation, the State Department of Assessments and Taxation (SDAT) is responsible for the collection of any applicable recordation taxes.

SDAT submits county transfer taxes from these transactions to the county housing the transferred property. However, it remits the recordation taxes to the Office of the Comptroller, which then distributes the revenues to the counties based upon a formula. That formula is based upon the amount of recordation taxes collected by each county.

Over a decade ago, counties received legislative authority to collect recordation taxes through their own finance offices, rather than through the clerk of the court. Since then, several counties transferred responsibility for collecting recordation taxes to their county finance offices. It appears that during that time, five jurisdictions failed to receive their fair shares of State-collected recordation taxes. The funds owed to these counties were mistakenly distributed to the other 19 counties, as the Comptroller fully allocated all of the State-collected recordation taxes each year.

HB 465 changes the process moving forward so that the recordation tax is distributed according to where property is located, just like the county transfer tax. This simplification of the process eliminates unnecessary bureaucracy and streamlines these distributions to protect against the recurrence of this type of error.

For these reasons, MACo urges a **FAVORABLE** report on HB 465.