

Department of Legislative Services
Maryland General Assembly
2016 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1085
Ways and Means

(Prince George's County Delegation)

Prince George's County - State and County Transfer Taxes - Exemptions
PG 429-16

This bill exempts from the State and Prince George's County transfer taxes the sale of residential real property to an employee of the Federal Bureau of Investigation (FBI) under certain conditions. To qualify for the exemption, the federal employee must have purchased the property no later than one year after Prince George's County issues the use and occupancy certificate to the federal law enforcement agency.

The bill takes effect June 1, 2016, and applies to all instruments of writing recorded or filed on or after July 1, 2016.

Fiscal Summary

State Effect: Potential decrease in State special fund revenues depending on whether Prince George's County is selected as the site for the new FBI headquarters. The amount of the revenue decrease depends on the number of federal law enforcement employees who purchase a home in Prince George's County within the time period designated by the bill. State expenditures are not affected.

Local Effect: Potential decrease in Prince George's County transfer tax revenues. The amount of the revenue decrease depends on the number of federal law enforcement employees who purchase a home in Prince George's County within the time period designated by the bill. Prince George's County expenditures are not affected. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: None.

Analysis

Bill Summary: Pursuant to the bill, an instrument of writing that transfers residential real property to an employee of a federal law enforcement agency in Prince George's County that is issued a use and occupancy certificate by the county on or after July 1, 2016, is not subject to the State or Prince George's County transfer tax under certain conditions. To be eligible for the exemption (1) the federal law enforcement agency must intend to employ at least 8,000 employees at the location for which the use and occupancy certificate is issued; (2) the employee of the federal law enforcement agency must occupy the property as a principal residence; and (3) the employee purchases the property no later than one year after Prince George's County issues the use and occupancy certificate to the federal law enforcement agency.

Current Law: The State and most counties impose a transfer tax. The State transfer tax rate is 0.5% of the consideration payable for an instrument of writing conveying title to, or a leasehold interest in, real property (0.25% for first-time Maryland homebuyers). In Prince George's County, the local transfer tax rate is set at 1.4%. Prince George's County collected \$73.5 million in transfer taxes in fiscal 2014 and \$82.0 million in fiscal 2015 and is estimated to collect \$86.1 million in fiscal 2016.

Background: Plans are currently underway to relocate the FBI Headquarters from the J. Edgar Hoover Building in the District of Columbia to one of three locations in the Washington metropolitan area. Two of the locations are in Prince George's County (Greenbelt or Landover), and one is located in Northern Virginia (Springfield). In December 2015, the U.S. Congress pledged \$390 million in funding for the proposed move.

State Fiscal Effect: State special fund revenues decrease beginning in the fiscal year after the county issues a use and occupancy certificate to the federal law enforcement agency. The amount of the revenue decrease depends on the number of federal law enforcement employees who purchase a home in Prince George's County within the time period designated by the bill. The number of affected transfers that may occur in any year is not known. As a point of reference, the State transfer tax on a transaction valued at \$250,000 is \$1,250.

Local Fiscal Effect: Prince George's County transfer tax revenues decrease beginning in the fiscal year after the county issues a use and occupancy certificate to the federal law enforcement agency. The amount of the revenue decrease depends on the number of federal law enforcement employees who purchase a home in Prince George's County within the time period designated by the bill. The county's fiscal 2016 transfer tax rate is 1.4%. The average taxable value for residential real property is \$213,667. Assuming an average sales price for residential property of \$250,000, county transfer tax revenues will decrease by approximately \$3,500 for each home purchased.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Prince George's County, Judiciary (Administrative Office of the Courts), State Department of Assessments and Taxation, Department of Legislative Services

Fiscal Note History: First Reader - March 3, 2016
md/hlb

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