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County lawmakers won't take up transfer-tax rise

Leopold has proposed increase in impact fees as alternative

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February 10, 2008

Anne Arundel County's state lawmakers will not consider a County Council request to raise the transfer-tax rate, effectively killing a proposal that could have generated \$25 million a year for school construction and stream restoration, the chairwoman of the county's House delegation has confirmed.

Mary Ann Love, a Democrat who leads the Anne Arundel delegates, said Thursday that the county's Senate delegation was not going to vote on the council's resolution seeking state authority to raise the transfer tax from 1 percent to as much as 1.5 percent.

Love also alluded to opposition within her ranks. Real estate agents sent scores of e-mails to delegates last week opposing the council's request, she said. The proposal was also denounced by County Executive John R. Leopold, a Republican.

"The bottom line is, I don't have the votes," Love said.

Council Chairwoman Cathleen M. Vitale said she was notified Wednesday of the delegation's decision, two days after the Republican-majority council unanimously passed the measure.

"Mr. Leopold has convinced the members of the delegation not to partake. ... That comes as a little disappointing," said Vitale, a Severna Park Republican.

Leopold, through a spokesman, declined to comment.

Leopold recently proposed a sweeping increase in impact fees on new development as a way of generating \$22.2 million a year for new schools, roads and other infrastructure, county officials say.

Council members offered the transfer-tax proposal as a way of alleviating Anne Arundel's \$1.5 billion school maintenance backlog and the \$1.3 billion backlog in projects to repair waterways and restore watersheds.



The resolution's sponsor, Republican C. Edward Middlebrooks, said he wants to create a dedicated fund to reduce those shortfalls.

The only Maryland jurisdictions that apply the maximum transfer tax rate of 1.5 percent are Baltimore and Baltimore County.

On the purchase of a \$400,000 home in Anne Arundel County, the rate increase from 1 percent to 1.5 percent would result in transfer taxes of \$6,000, a \$2,000 increase.

The advantage of obtaining revenue from transfer taxes, council members said, is that it could be directed to modernizing outdated schools and impact fees could not.

The transfer-tax plan was supported last month by the county's consultant on impact fees, James C. Nicholas, during his testimony at a council work session. Nicholas said the transfer-tax increase might be the fairest of several mechanisms, including impact fees, to repair and replace schools and other infrastructure.

Nicholas said that among the advantages of using the transfer tax to address the effects of development is that only those who buy and sell property are affected, based on a recording of the work session. Those who remain in their homes would not have to pay new taxes, he said.

He also noted at the Jan. 15 hearing that the county could issue bonds based on the transfer-tax revenue. At \$25 million a year, Anne Arundel could issue more than \$300 million in bonds, bond experts said.

County officials countered that revenue from transfer taxes would be ineffective in paying for the infrastructure needed to keep up with growth.

"That would certainly free up other dollars for school maintenance and school construction to address capacity, and to possibly get rid of the trailers," Vitale said, referring to portable classrooms. "Some have commended the council, and others preferred we found funds elsewhere."

Some council members said they would support increasing the transfer-tax rate to offset the increase in impact fees, but Leopold said last week that he opposes such a compromise. He called the transfer-tax proposal a way of forcing "county taxpayers to subsidize developers."

Love said her colleagues had not discussed projections of the revenue from raising the transfer tax.

Council members were criticized for not holding an advertised public hearing on the resolution. They said they were forced to act to try to meet a Friday deadline to submit state legislation.

Bob Burdon, chief executive of the Annapolis and Anne Arundel County Chamber of Commerce, said that "it was just the wrong time" for the transfer-tax increase, given the national economic downturn. He said it would "put home buying too far out of reach."

Several council members have criticized Leopold's proposal, which would increase the impact fee on a four-bedroom home from \$4,069 to \$26,407. The fee for a four-bedroom condominium would increase from \$3,546 to \$51,232, and the fee for hotels would rise from \$1,031 to \$5,459 per room, according to the bill.

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