



DEPARTMENT OF FINANCE

Isiah Leggett
County Executive

Robert Hagedoorn
Acting Director

MEMORANDUM

July 15, 2016

TO: Clients of the Montgomery County Transfer & Recordation Tax Office

FROM: James E. Babb, Tax Operations Manager

SUBJECT: New Recordation Tax Rates and Exemptions, Effective September 1, 2016

The current recordation tax calculation procedures will remain in place until August 31, 2016.

The Montgomery County Code Section 52-16B has been revised and the changes made in this revision will become effective September 1, 2016.

Effective September 1, 2016, the first \$500,000 of the “consideration payable” or the “principal amount of debt secured...including the amount of any mortgage or deed of trust assumed by a grantee” will be taxed at \$4.45 per \$500, or fraction thereof.

Effective September 1, 2016, when the “consideration payable” or the “principal amount of debt secured...including the amount of any mortgage or deed of trust assumed by a grantee” exceeds \$500,000, the excess over \$500,000 will be taxed at \$6.75 per \$500, or fraction thereof.

Effective September 1, 2016, the \$50,000 recordation tax exemption is increased to \$100,000 and is available to an “individual” buyer who intends to use the property as the individual’s principal residence.

The new recordation tax rates and exemption applies to any transaction that occurs on or after September 1, 2016.

WE WILL RELY ON THE LATER OF THE DATE OF THE DOCUMENT OR THE LAST ACKNOWLEDGMENT TO DETERMINE WHEN A TRANSACTION OCCURS.

If the date of the document or the last acknowledgment is on September 1, 2016 or after, the documents will be subject to the new rates.

Thank you for your cooperation.

Division of Treasury

255 Rockville Pike, Suite L-15 (Monroe Street Entrance) • Rockville, Maryland 20850
www.montgomerycountymd.gov



Examples of the Application of the new Recordation Tax Law

- #1. A property transfers by deed with “*consideration payable*” (*consideration*) of \$400,000 and with a principal residence affidavit.

The first \$100,000 of consideration is exempt from recordation tax (principal residence).
The next \$300,000 of consideration is taxed at a recordation tax rate of \$4.45/500.

$$\$300,000 \times \$4.45 \div 500 = \$2,670$$

- #2. A property transfers by deed with “**consideration payable**” of \$400,000 and is NOT a principal residence.

The first \$400,000 of consideration is taxed at a recordation tax rate of \$4.45/500.

$$\$400,000 \times \$4.45 \div 500 = \$3,560.00$$

- #3. A property transfers by deed with “**consideration payable**” of \$575,000 and with a principal residence affidavit.

The first \$100,000 of consideration is exempt from recordation tax (principal residence).
The next \$475,000 of consideration is taxed at a recordation tax rate of \$4.45/500.
The amount exceeding \$500,000 is taxed at a recordation rate of \$6.75/500.

$$\begin{aligned} \$400,000 \times \$4.45 \div 500 &= \$3,560.00 \\ \$75,000 \times \$6.75 \div 500 &= \$1,012.50 \\ \text{Total Recordation Tax due} &= \$4,572.50 \end{aligned}$$

- #4. A property transfers by deed with “**consideration payable**” of \$575,000 and is NOT a principal residence.

The first \$500,000 of consideration is taxed at a recordation tax rate of \$4.45/500.
The next \$75,000 of consideration is taxed at a recordation tax rate of \$6.75/500.

$$\begin{aligned} \$500,000 \times \$4.45 \div 500 &= \$4,450.00 \\ \$75,000 \times \$6.75 \div 500 &= \$1,012.50 \\ \text{Total Recordation Tax due} &= \$5,462.50 \end{aligned}$$

- #5. A refinance deed of trust is presented with a “*principal amount of debt secured*” (*debt*) of \$400,000 along with a refinance affidavit showing a \$100,000 unpaid principal balance on the existing deed of trust being paid off. The taxable debt after the refinance exemption is \$300,000.

The first \$100,000 of debt is exempt from recordation tax (refinance exemption).
The next \$300,000 of debt is taxed at a recordation tax rate of \$4.45/500.

$$\begin{aligned} \$300,000 \times \$4.45 \div 500 &= \$2,670 \\ \text{Total Recordation Tax due} &= \$2,670 \end{aligned}$$

Examples of the Application of the new Recordation Tax Law

- #6. A refinance deed of trust is presented with a “*principal amount of debt secured*” of \$550,000 along with a refinance affidavit showing a \$450,000 unpaid principal balance on the existing deed of trust being paid off. The taxable debt after the refinance exemption is \$100,000.

The first \$450,000 of debt is exempt from recordation tax (refinance exemption).

The next \$50,000 of debt is taxed at a recordation tax rate of \$4.45/500.

The next \$50,000 of debt is taxed at a recordation tax rate of \$6.75/500 because the principal amount of debt secured exceeds \$500,000.

$$\begin{aligned} \$50,000 \times \$4.45 \div 500 &= \$445 \\ \$50,000 \times \$6.75 \div 500 &= \$675 \\ \text{Total Recordation Tax due} &= \$1,120 \end{aligned}$$

- #7. A deed of trust (NOT qualified for the refinance exemption or purchase money exemption) is presented with a “*principal amount of debt secured*” of \$500,000.

The first \$500,000 of debt is taxed at a recordation tax rate of \$4.45/500.

$$\begin{aligned} \$500,000 \times \$4.45 \div 500 &= \$4,450 \\ \text{Total Recordation Tax due} &= \$4,450 \end{aligned}$$

- #8. A deed of trust (NOT qualified for the refinance exemption or purchase money exemption) is presented with a “*principal amount of debt secured*” of \$750,000.

The first \$500,000 of debt is taxed at a recordation tax rate of \$4.45/500.

The next \$250,000 of debt is taxed at a recordation tax rate of \$6.75/500 because the principal amount of debt secured exceeds \$500,000.

$$\begin{aligned} \$500,000 \times \$4.45 \div 500 &= \$4,450 \\ \$250,000 \times \$6.75 \div 500 &= \$3,375 \\ \text{Total Recordation Tax due} &= \$7,825 \end{aligned}$$

- #9. A modification of a line of credit deed of trust is presented with a “*principal amount of debt secured*” of \$500,000 and the previous principal amount of debt secured was \$450,000 and full recordation tax was paid on this amount. The taxable debt after modification is \$50,000.

The first \$450,000 of debt is exempt from recordation tax (credit for previous payment of recordation tax).

The next \$50,000 of debt is taxed at a recordation tax rate of \$4.45/500.

$$\begin{aligned} \$50,000 \times \$4.45 \div 500 &= \$445 \\ \text{Total Recordation Tax due} &= \$445 \end{aligned}$$

- #10. A modification of a line of credit deed of trust is presented with a “*principal amount of debt secured*” of \$950,000 and the previous principal amount of debt secured was \$875,000 and full recordation tax was paid on this amount. The taxable debt after modification is \$75,000.

Examples of the Application of the new Recordation Tax Law

The first \$875,000 of debt is exempt from recordation tax (credit for previous payment of recordation tax).

The next \$75,000 of debt is taxed at a recordation tax rate of \$6.75/500.

$$\begin{aligned} \$75,000 \times \$6.75 \div 500 &= \$1,012.50 \\ \text{Total Recordation Tax due} &= \$1,012.50 \end{aligned}$$

- #11. A modification of a non-line of credit deed of trust is presented with a **“principal amount of debt secured”** of \$450,000 and an existing principal balance of \$275,000. The taxable debt after modification is \$175,000.

The first \$275,000 of debt is exempt from recordation tax (credit for previous payment of recordation tax).

The next \$175,000 of debt is taxed at a recordation tax rate of \$4.45/500.

$$\begin{aligned} \$175,000 \times \$4.45 \div 500 &= \$1,557.50 \\ \text{Total Recordation Tax due} &= \$1,557.50 \end{aligned}$$

- #12. A modification of a non-line of credit deed of trust is presented with a **“principal amount of debt secured”** of \$1,750,000 and an existing principal balance of \$1,000,000. The taxable debt after modification is \$750,000.

The first \$400,000 of debt is exempt from recordation tax (credit for previous payment of recordation tax).

The next \$750,000 of debt is taxed at a recordation tax rate of \$6.75/500.

$$\begin{aligned} \$750,000 \times \$6.75 \div 500 &= \$10,125 \\ \text{Total Recordation Tax due} &= \$10,125 \end{aligned}$$