

## MEMORANDUM

June 30, 2005

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

FROM: Timothy L. Jones, Financial Programs Manager

SUBJECT: New Law Concerning Recordation Tax on Deeds Involving Siblings

The Transfer/Recordation Tax Office is hereby notifying you of new legislation which affects calculation of recordation tax on deeds presented to us for processing.

House Bill 1472 concerning an exemption from recordation tax and state transfer tax was passed by the Maryland Legislature and signed into law by the Governor this past legislative session. This bill exempts transfers to a brother, sister, stepbrother, or stepsister, to the extent of any debt assumed by the transferee, from recordation tax and state transfer tax. The assumption of the existing loan will be exempt from recordation tax, however, any additional consideration such as cash paid to the grantor or a refinance payoff which relieves the grantor from liability for the previously existing debt will be taxable.

This exemption, unlike transfers to children or parents, only applies to state transfer tax and recordation tax, but *not to county transfer tax*. For family transfers to a brother, sister, stepbrother, or stepsister, the county will continue to collect county transfer tax on the consideration. Please note that the exemption only applies to the unpaid principal balance of the debt assumed by the transferee and that the list of exempt transferees *does not include brothers-in-law or sisters-in-law*. Again, additional consideration such as cash to the grantor or debt relief for the grantor via refinance is taxable.

This new exemption is effective July 1, 2005 and will apply to any deed presented to this office on or after July 1, 2005.

Thank you for your cooperation.

