



SUMMARY OF 2015 REAL ESTATE LEGISLATION Maryland Association of REALTORS®

AFFORDABLE HOUSING AND TAXES

HB 51/SB 66– Circuit Court Real Property Records Improvement Fund – Funding STATUS: PASSED –Effective July 1, 2015

As introduced, this legislation would have made permanent the increase in the recordation fee enacted in 2011. That law increased the fee from \$20 to \$40 for three years. We worked with the Judiciary Committee so the increase remains only until 2019. In 2020, the Legislature must reauthorize the \$40 fee or it reverts back to \$20 per instrument.

HB 146 – Income Tax – Standard Deduction – Inflation Adjustment STATUS: NOT PASSED

Would have required state income tax deductions (including those for real estate) to be increased annually by a cost-of-living adjustment.

HB 182 – Housing – Community Development Administration – Residential Mortgage Loans

STATUS: PASSED – Effective October 1, 2015

Creates additional flexibility for the Department of Housing and Community Development (DHCD) when guaranteeing loans for homeowners in Sustainable Communities. Sustainable Communities are designated growth areas in local counties that may be economically depressed, located near transit infrastructure or located near a military base. HB 182 allows DHCD to grant purchase and refinance loans to individuals that may exceed the income limitations of current DHCD mortgage products if the purchasers or homeowners live in a Sustainable community.

HB 240/SB 389 – State Individual Income Tax – Rate Change

STATUS: NOT PASSED

Lowered the state income tax for individuals making between \$3,000 and \$25,000 and increased the state income tax rate for individuals making over \$500,000. Made similar changes for joint filers too.

HB 644 – Property Tax Credit – Elderly Individuals and Veterans

STATUS: NOT PASSED

Authorized local governments to give elderly (65 or older) homeowners and elderly retired military members a property tax reduction of up to 20% over 5 years. An elderly homeowner would qualify only if the homeowner lived in the same dwelling for at least 40 years. Gave local government additional flexibility in limiting the extent of the credit.

HB 730/SB 661 – Maryland Estate Tax – Unified Credit

STATUS: NOT PASSED

Changed legislation passed last year that unified the Maryland estate tax credit with the federal estate tax credit. The 2014 bill would have unified the two credits by phasing in higher Maryland credits over the next five years. HB 730 would have limited the increase in the state credit to \$1.5 million rather than phasing in the full federal credit of over \$5 million.

HB 953/SB 372 – Income Tax – Subtraction Modification – First-Time Homebuyer

Savings Accounts

STATUS: NOT PASSED

Authorized individuals to contribute up to \$5,000 a year to a first-time homebuyer savings account. That money and the interest earned on that money would not be subject to state taxation up to \$50,000. An individual could establish an account for a third party, such as a child or grandchild. The bill did not pass due to budget concerns.

HB 1065/ SB 190 – Sales and Use Tax – Taxable Price – Accommodations

STATUS: PASSED – VETOED BY GOVERNOR

Requires accommodation intermediaries (*e.g.*, Expedia and Orbitz) to remit accommodation taxes to Maryland. MAR had initial concerns over the potential impact of the legislation on short term rentals. However, due to the way licensees transact short term rentals, the bill would not impose new taxes.

HB 1178 – Recordation and Transfer Taxes – Exemption – Purchase Money Mortgage or Purchase Money Deed of Trust

STATUS: PASSED – Effective May 12, 2015

Clarifies that homeowners who participate in a foreclosure avoidance program structured by a certified community financial development institution (CDFI) would not pay transfer and recordation taxes when the CDFI purchases their home from the original lender and then sells the home back to the consumer with a more affordable mortgage.

HB 1275 – Property Tax – Homeowner's Tax Credit – Computation and Eligibility

STATUS: NOT PASSED

Increased the income eligibility for the homeowner's tax credit. The bill lowered property taxes for homeowner's whose combined gross income is \$75,000 rather than the \$60,000 limit in current law.

SB 766 – Agricultural Land Transfer Tax – Rate Determination

STATUS: PASSED – Effective June 1, 2015

Requires that the agricultural transfer tax be applied to the actual acreage being removed from agriculture rather than the entire acreage of property transferred when the property contains acreage intended for agricultural and non-agricultural use.

REAL ESTATE BROKERAGE AND CONTRACTS

HB 17 – State Real Estate Commission – Continuing Education – Comparative Law Course

STATUS: NOT PASSED

Increased continuing education hours from 15 to 16.5. The bill required real estate licensees to take a comparative law course for an area in which the licensee most frequently practices.

HB 154 – Maryland Home Builder Registration Act – Guaranty Fund – Claims

STATUS: PASSED – Effective July 1, 2015

Increases the maximum claim against the Builder Guarantee fund from \$5,000 to \$7,500.

HB 186/SB 101 —Maryland Uniform Real Property Transfer-on-Death (TOD) Act

STATUS: NOT PASSED

Created a simpler way to transfer real property to a beneficiary by allowing an individual to create a Transfer-on-Death deed. A TOD avoids probate time and other costs. Maryland already allows similar TOD mechanisms for securities and financial institution accounts.

HB 511/HB 1232/SB 851 – Real Property – Residential Property – Ground Leases

STATUS: PASSED – Effective July 1, 2015

Limits certain charges related to the collection and enforcement of ground rents. The legislation was introduced in response to the Maryland Court of Appeals case, *Maryland v. Stanley Goldberg et al*, which invalidated a “lien remedy” for ground rents passed by the Legislature in 2007. HB 511 was the only bill that passed and it sets up a fee cap. If the ground lease tenant is delinquent but pays after the first notice of delinquency, the tenant pays only up to \$100 in additional fees and costs (plus the past due rent). If the ground lease tenant waits and pays after the second notice, the tenant must pay up to \$650 in fees associated with collection of the past due rent. If the tenant fails to pay and an action is filed in court, the tenant costs are limited to specific costs incurred by the owner and no more than \$500 in attorney fees.

HB 637/SB 565 – Real Property – Redeemable Ground Rents

STATUS: NOT PASSED

Forced homeowners and homebuyers to redeem the ground rent when refinancing or purchasing property subject to a redeemable ground rent.

HB 721/SB 568 – Real Estate Appraisers – Appraisal Agreement – Required Copies
STATUS: NOT PASSED

Required a copy of the work agreement between a licensed appraiser and the appraisal management company (AMC) to be attached to the written appraisal report. That work agreement would detail, among other provisions, the price the AMC pays the appraiser.

HB 1028/SB 203 – Business Occupations and Professions – Real Estate Salespersons and Brokers – Formation of Business Entities and Payment of Commissions
STATUS: PASSED – Effective October 1, 2015

Permits real estate licensees to organize as any legal business entity with the consent of the real estate broker. Prior law limited real estate licensees to forming only two kinds of business entities: professional service corporations or limited liability companies.

HB 1056/ SB 610 – Real Estate Brokers and Salespersons – Continuing Education – Requirements
STATUS: PASSED – Effective October 1, 2015

Requires all real estate licensees to take the agency class every two years rather than every four years. The legislation also requires licensees who must take the broker supervision class to take that class every two years. This requirement would not increase the total number of hours for almost all licensees. However, a few licensees who have graduate degrees in law or real estate will now have to take the full 15 hours of CE rather than 7.5 hours under current law.

HB 1129/SB 837 – Real Property – Actions to Quiet Title
STATUS: NOT PASSED

Provided a statutory procedure to quiet title for plaintiffs and defendants seeking to clarify their rights in property. Currently, the rules regarding quiet title actions can differ between jurisdictions. SB 837 would have created a uniform rule regarding the appropriate jurisdiction, the required notice of parties, rights of defendants and other parties who may have previously filed claims to the property.

HB 1183/SB 649 – Real Property – Contract for Sale of New Home
STATUS: PASSED – Effective October 1, 2015.

Allows the buyer or the homebuilder to terminate a contract if financing is not obtained and requires the return of the deposit money. MAR amended the bill to clarify that if a licensed real estate broker holds the deposit money, the broker must follow current real estate law regarding the return of the deposit money.

HB 1184/SB 835 – Real Property – Foreclosure Moratorium and Study (Foreclosure Relief Act of 2015)
STATUS: NOT PASSED

Imposed a 9 month moratorium on foreclosures in Maryland while a study is conducted. Currently it takes almost two years for homeowners to move from default to foreclosure sale. This bill would have increased that by nearly another year.

[HB 1195/SB 877](#) – Fair Foreclosure Act of 2015

STATUS: NOT PASSED

Created a judicial process for foreclosing on homes in Maryland. Maryland already has a quasi-judicial process that takes close to two years for homeowners to move from default to foreclosure sale. Creating a purely judicial process would likely create more expense with little benefit for consumers.

[HB 1236](#) – Real Estate Brokers – Licensing – Experience Requirement

STATUS: NOT PASSED

Reduced the time that a real estate licensee must hold a license to qualify for a real estate broker's license from three years to two years.

COMMON OWNERSHIP COMMUNITIES

[HB 1007](#) – Real Property Condominium and Homeowners Associations – Disclosures to Purchasers on Resale of Unit or Lot – Limitation on Fees

STATUS: NOT PASSED

Limited the cost of resale packages to \$175 for condos and HOAs. Would have permitted additional fees for inspections of condos or for expediting the delivery of the resale information. The House and Senate passed different versions of the bill which were not resolved before adjournment.

LAND-USE, PROPERTY RIGHTS, AND THE ENVIRONMENT

[HB 255](#) – Criminal Procedure – Seizure and Forfeiture – Property Used in Exploitation of Vulnerable Adults

STATUS: NOT PASSED

Permitted the seizure of personal and real property when that property was acquired through exploitation of an elderly person.

[HB 372](#) – Real Property – Vacant and Abandoned Residential Property

STATUS: NOT PASSED

Required a lender to determine whether a property is vacant and abandoned after a homeowner missed two payments. Although the bill specified a property is not vacant if a homeowner or tenant still occupies the unit, the bill required a physical inspection of the property to make that determination.

[HB 481/HB 874/ SB 42/SB 588/ SB 863](#) – Watershed Protection and Restoration Programs – Revisions

STATUS – PASSED – Effective July 1, 2015

There were many bills introduced on stormwater fees. Although they were similar, only SB 863 passed. It gives local governments the flexibility to pay for stormwater remediation required by the federal government through a stormwater fee or out of existing budgets. Local governments will be required to show the Maryland Department of Environment their plans to meet federal requirements, including the money set aside for projects. Under federal law, 10

Maryland counties must implement costly stormwater controls. In 2012, the Legislature required these counties to implement a stormwater fee that was popularly known as the “rain tax.” That mandate is repealed by this legislation.

HB 509 – Environment – Statute of Limitations – Administrative Penalties

STATUS: PASSED – Effective October 1, 2015

Creates a 5 year statute of limitations on Maryland Department of Environment (MDE) administrative penalties. There is currently a statute of limitations on MDE civil and criminal penalties (which are typically 3 years). The 5 year limitation more closely follows federal statute of limitations.

HB 514/SB 258 – Maryland Commission on Climate Change

STATUS: PASSED – Effective June 1, 2015

Continues the Maryland Commission on Climate Change. The Commission originally was created by an Executive Order issued by the Governor. This legislation gives the Commission statutory authority to continue its work studying and preparing for the impacts of climate change. The bill mandates participation from a number of interest groups, including representatives of the real estate industry.

HB 620 – Crimes – Unmanned Aircraft Systems – Unauthorized Surveillance

STATUS: NOT PASSED

Prohibited the use of unmanned aircraft systems (drones) to photograph property without the property owner’s written permission. The Federal Aviation Authority is currently working on rules for unmanned aircraft systems nationwide.

HB 1043 – Environment – On-Site Sewage Disposal System – Nitrogen Removal Technology – Exemption

STATUS: NOT PASSED

Clarified that the Maryland Department of Environment (MDE) cannot require new and existing homes outside of the critical areas to use Best Available Technology (BAT) septic systems.

HB 1264 – Building Performance Standards – Fire Sprinkler System Exemptions

STATUS: NOT PASSED

Authorized certain local governments in Maryland (Allegany, Caroline, Cecil, Charles, Kent, Queen Anne’s and Worcester) to amend their local building codes in relation to automatic fire sprinklers.

SB 197 – Municipalities – Vacant and Blighted Buildings

STATUS: NOT PASSED

Authorized municipalities to establish a Vacant and Blighted Buildings registry. The bill also permitted municipalities to set different property tax rates for vacant and blighted properties.

SB 370 – Unmanned Aircraft Systems Research, Development, Regulation, and Privacy Act of 2015

STATUS: PASSED – Effective July 1, 2015

Establishes that only state government may enact a law to regulate the testing or operation of unmanned aircraft systems (drones). The bill also establishes a working group to identify general policies that should be implemented in relation to the use of these aircraft systems and report back to the General Assembly by the end of 2015.

PROPERTY MANAGEMENT

HB 54/SB 64 – Circuit Court Real Property Records Improvement Fund – Funding

STATUS: PASSED – Effective July 1, 2015

Implements a surcharge on most court cases in Maryland. For cases before the Court of Appeals and Special Appeals, the surcharge is \$11. For civil cases before the Circuit Court, the surcharge is \$30. For the District Court, the surcharge is \$3 for summary ejectment cases and \$8 for all other civil cases.

HB 420/SB 480 – Commission on Rental Housing Stabilization

STATUS: NOT PASSED

Created a housing commission to study rent control among other provisions.

HB 782/SB 408 -- Real Property – Residential Leases – Interest on Security Deposits

STATUS: PASSED – Effective June 1, 2015 for deposits held after January 1, 2015.

Resolves conflicting language in the security deposit law. Requires landlords to return security deposits with an interest rate of 1.5% or a rate equal to the U.S. Treasury Daily Yield Curve Rate, whichever is higher. The new rate took effect on January 1, 2015 and applies to new and existing leases. For existing leases, the new interest rate would be calculated for the time the security deposit is held after January 1, 2015. Previously mandated interest rates would be used to calculate the interest for the deposit held before January 1, 2015.

HB 824 – Real Property – Landlord and Tenant - Residential Leases and Just Cause Evictions

STATUS: NOT PASSED

Redefined eviction to include a landlord's refusal to renew a lease on substantially similar terms. Changing the lease duration, increasing the rent (due to increasing costs) would all be different terms that could be deemed an "eviction" under the bill and thus subject to new standards of review.

HB 1082/SB 745 – Landlord and Tenant – Security Deposit – Use for Unpaid Water and Sewer Bills

STATUS: NOT PASSED

Required that unpaid water and sewer bills may be deducted from the security deposit of a tenant if a tenant was required to pay the bills. Although many landlords currently deduct these costs now from security deposits, not all judges permit it.

[HB 1158/ SB 859](#) – Lead Risk Reduction Standards – Maintenance of Exemptions

STATUS: NOT PASSED

Exempted many limited lead free properties (those that have lead paint only on the exterior) from inspections every two years as long as the owners completed an annual affidavit attesting that none of the exterior paint was chipping, flaking or peeling.

COMMERCIAL

[HB 323/SB 262](#) – Maryland Building Performance Standards – Modifications – Energy Codes

STATUS: PASSED – Effective October 1, 2015

Directs the Department of Housing and Community Development to adopt innovative changes to state energy conservation codes as long as those changes meet or exceed the performance requirements for energy efficiency set by the codes.

[HB 987/SB 693](#) – Environment – Permit Determinations – Cumulative Impact Assessments

STATUS: NOT PASSED

Required a cumulative impact assessment for air quality permits issued by the Maryland Department of Environment (MDE). Before a company could obtain a permit, MDE would require air samples to be taken within protected communities. MDE would review those results as well as the likely impact of the new use and determine whether a permit could go forward or be mitigated.