

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1188 (Delegates Boafu and Amprey)
Ways and Means

Excess Ownership of Single-Family Residences Excise Tax (End Hedge Fund
Control of Maryland Homes Act of 2026)

This bill imposes two measures to limit the purchase of single-family residential real property by large real estate investment companies by establishing a 50% excise tax rate and a \$10,000 per unit penalty based on the excess ownership of single-family residences. The bill also establishes the Down Payment and Settlement Expense Loan Program (DSELP) Fund. **The bill takes effect July 1, 2026.**

Fiscal Summary

State Effect: State revenues increase, potentially by a significant amount, beginning in FY 2027 to the extent excise taxes are applied to the purchase of single-family residential real properties. State expenditures for administrative costs at the Comptroller's Office increase by \$1.7 million in FY 2027, including one-time computer programming expenditures. Future year expenditures increase by \$545,700 in FY 2031.

Local Effect: None.

Small Business Effect: Potential meaningful. Small businesses involved in real estate sales, mortgage lending, and real estate titling may incur increased costs to comply with the bill's requirements.

Analysis

Bill Summary: The bill imposes two measures to limit the purchase of single-family residential real property by large real estate investment companies.

Excess Ownership of Single-family Residence Excise Tax and Penalty

A 50% excise tax is imposed on the acquisition of a single-family residence by an applicable taxpayer, which is defined as an entity that manages funds pooled from investors and is a fiduciary of the investors. The tax rate is applied to the fair market value of the single-family residence.

In addition, a \$10,000 per unit penalty is imposed on the excess ownership of single-family residences. When the bill's provisions are fully phased-in, an applicable taxpayer can own up to 25 single-family residences before the tax penalty is imposed. For a taxpayer classified as a hedge fund, the tax penalty is imposed on the first property owned by the entity.

Revenues from both the excise tax and penalty must be deposited in the DSELP Fund.

Applicable taxpayers are required to file specified reports and tax returns with the Comptroller's Office. A person who is required to file an excess ownership of single-family residences excise tax return and who willfully fails to file a required return is guilty of a misdemeanor and, on conviction, is subject to a fine of up to \$5,000 and/or imprisonment of up to five years.

Down Payment and Settlement Expense Loan Program Fund

The bill establishes the program fund to be administered by the Department of Housing and Community Development (DHCD). The program fund consists of (1) excise tax revenue; (2) money appropriated in the State budget to the program fund; and (3) any other money from any other source accepted for the benefit of the program fund. The program fund may be used only to provide financing for down payment and settlement expenses to enable eligible homebuyers to purchase homes. Money expended from the program fund for DSELP is supplemental to and is not intended to take the place of funding that otherwise would be appropriated for the program.

Current Law:

Down Payment and Settlement Expense Loan Program

DSELP, a supplementary program to the Maryland Mortgage Program, provides financing for down payment and settlement expenses to enable eligible homebuyers to purchase homes. Settlement expenses include (1) fees and premiums for title examination, title insurance, and similar expenses; (2) fees for preparing deeds, settlement statements, and other documents; (3) payments owed at settlement for property taxes and hazard insurance coverage; (4) escrows for future payments of taxes and hazard insurance; (5) fees for

notarizing deeds and other documents; (6) appraisal fees; (7) fees for credit reports; (8) transfer and recordation taxes and fees; (9) fees and premiums for mortgage insurance; and (10) loan discount points and origination fees. Generally, recipients of a program loan must complete homebuyer education that meets the requirements of DHCD, though this requirement does not alter or preempt the authority of a local government to establish a homebuyer education requirement for its own down payment assistance program.

State Revenues: The bill is intended to limit the ability of large real estate investment companies from purchasing and owning single-family residential real property within the State. The bill’s provisions – the imposition of a new excise tax and penalty for the excess ownership of single-family residential residences – have the potential to increase State revenues by a significant amount. At this time, the Department of Legislative Services is not able to develop a precise estimate of the potential revenue increase.

State Expenditures: The Comptroller’s Office will need additional personnel to administer the new excise tax on the excess ownership of single-family residences, including one senior tax attorney, one financial compliance officer, one accountant, and three revenue examiners. The new staff will be tasked with identifying businesses subject to the excise tax on the excess ownership of single-family residences, processing tax returns and payments, auditing tax returns and payments, enforcing tax compliance, and handling possible litigation. The additional personnel costs are projected to total \$358,200 in fiscal 2027. These costs reflect a 90-day start-up delay due to the bill’s July 1, 2026 effective date and include salaries, fringe benefits, and ongoing operating expenses. In addition, the Comptroller’s Office will incur computer programming expenses of \$1.25 million in fiscal 2027 to add the new excise tax to the current tax system. These costs will include discovery, design, development, testing, and system interfaces.

Positions	6
Salaries and Fringe Benefits	\$358,156
Computer Programming Expenses	1,250,000
Operating Expenses	<u>54,845</u>
Total FY 2027 State Expenditures	\$1,663,001

Future year expenditures reflect full salaries with annual increases and employee turnover and ongoing operating expenses.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See SB 510, SB 582 and HB 1428 of 2025, HB 751 of 2024, and HB 474 of 2023.

Designated Cross File: None.

Information Source(s): Comptroller's Office; Judiciary (Administrative Office of the Courts); Office of the Public Defender; Maryland State's Attorneys' Association; Department of Housing and Community Development; Department of Public Safety and Correctional Services; State Department of Assessments and Taxation; Department of Legislative Services

Fiscal Note History: First Reader - March 4, 2026
caw/hlb

Analysis by: Michael Sanelli

Direct Inquiries to:
(410) 946-5510
(301) 970-5510