



DEPARTMENT OF FINANCE

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County Executive

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Director

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

FROM: James Babb, Tax Operations Manager

SUBJECT: Deeds from HUD and other Federal Entities including Fannie Mae, Freddie Mac, and FDIC

EFFECTIVE DATE: August 1, 2015

The Transfer Office has changed how it will tax transfers from a Federal Entity. This memo is notification how the Transfer Office will tax these transfers as of the effective date of this memo and going forward. This change will take effect on any and all transfers that are presented to the Transfer Office on or after August 1, 2015.

SAMPLE TRANSACTIONS: Assume the following transaction details for deed consideration and deed of trust amount apply to each of the subsequent examples (numbered 1a, 1b, 1c, and 2). Also, assume it is the grantee's principal residence.

Deed consideration = \$150,000 (The \$50,000 County exemption for Recordation Tax applies on the deed only)

Deed of Trust amount = \$140,000

Examples:

1. Grantor – HUD, Fannie Mae, Freddie Mac, FDIC or other Federal entity  
Grantee – Maryland First Time Home Buyer in 1a, 1b, and 1c
  - a. State presumption in Section 14-104(c) of the Real Property Article applies and the parties have not contractually provided otherwise.
    1. Deed is fully exempt from Recordation Tax [RTX=0].
    2. Deed is fully exempt from County Transfer Tax [County TT=0].
    3. Deed of Trust is fully taxable for Recordation Tax. [RTX on the deed of trust is \$140,000 @ \$3.45/\$500 = **\$966.00**]. (No purchase money exemption)

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- b. Parties have contractually agreed to split the taxes 50% -50%.
1. Deed is taxable as to ½ of consideration for Recordation Tax. [RTX on the deed is \$150,000 - \$50,000 (County exemption) = \$100,000 x ½ = \$50,000 @ \$3.45/\$500 = **\$345.00**]
  2. Deed is taxable as to ½ of the consideration for County Transfer Tax. [County TT on the deed is \$150,000 x ½ = \$75,000 @ 1.0% = **\$750.00**]
  3. Deed of Trust is exempt only up to the amount of the consideration that was taxed on the deed. (Purchase money) [RTX on the deed of trust = \$140,000 - \$75,000 (consideration for RTX paid on deed) = \$65,000 @ \$3.45/500 = **448.50**]

c. Parties have agreed in the contract that the Buyer pays all taxes.

1. Deed is taxed on the full consideration (less County exemption) for Recordation Tax. [RTX on the deed is \$150,000 - \$50,000 County exemption = \$100,000 @ \$3.45/\$500 = **\$690.00**]
  2. Deed is fully taxable for County Transfer Tax. [County TT on the deed = \$150,000 @ 1.0% = **\$1,500.00**]
  3. Deed of trust will receive full purchase money exemption. [RTX = **0**]
2. Grantor – HUD, Fannie Mae, Freddie Mac, FDIC or other Federal Entity.  
Grantee – is NOT a Maryland First Time Home Buyer.
1. Taxed on ½ of the consideration (less County exemption for Recordation Tax. [RTX on the deed is \$ 75,000 - \$50,000 County exemption = \$25,000 @ \$3.45/\$500 = **\$172.50**]
  2. Deed is taxed on ½ of the consideration for County Transfer Tax. [County TT on the deed = \$75,000 @ 1.0 % = **\$750**]
  3. Deed of Trust will receive a 50% purchase money exemption. (\$75,000)

Note: In cases where the residence is not the grantee's principal residence, then the \$50,000 County exemption (\$345.00 Recordation Tax credit) does not apply. In cases where the Buyer has agreed to pay 100% of the transfer and recordation taxes then the taxes will be based on the full consideration.