



HOWARD COUNTY DEPARTMENT OF FINANCE

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Customers have been posing questions regarding the wording of Indemnity Deeds of Trust (“IDOT”) and the application of Section 12-105(f) of the Tax Property Article, Annotated Code of Maryland. The Recordation Tax Office will determine that an IDOT is taxable if it has wording which causes the IDOT to secure current obligations, i.e., debt that is presently incurred, under the loan documents. The following requirements will be considered by the Recordation Tax Office:

1. The grantor of the IDOT must be a distinct entity from the borrower.
2. The grantor of the IDOT must have signed a guaranty agreement to guaranty the borrower’s obligations under the note.
3. The IDOT must secure ONLY the grantor’s performance under the guaranty agreement.
4. If the IDOT secures the borrower’s obligations or the indebtedness under the note, or other current obligations under the loan documents, then it is taxable.

If requested, the Recordation Tax Office will preview an IDOT prior to settlement. Please fax the IDOT, note, and guaranty agreement at least three days in advance.

If an Indemnity Deed of Trust or Deed of Trust is used to secure a future contingent obligation such as an interest rate swap transaction and no current obligation is due, then the following provision is requested to clarify that the recordation tax will be paid if and when the debt is incurred by the Borrower:

“Within seven (7) days of the occurrence of an event under the [insert definition of documents] that causes Borrower to incur debt thereunder, Borrower shall pay to the Howard County Director of Finance the recordation tax due in accordance with Md. Cod Ann., Tax-Prop. §12-105(f)(2).”