

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

Senate Bill 745 (Senator Pica)
Rules

Limited Liability Company Reform Act of 1996

This bill provides that a limited liability company can be formed by one person, rather than two or more members. If a member's interest in a limited liability company is assigned in its entirety, the member shall cease to be a member, although the granting of a security interest, lien, or other encumbrance against any or all of a member's interest shall not have this effect.

The income or loss of a limited liability company owned by only one person which is treated for federal income tax purposes as a sole proprietorship, or as certain other types of entities, shall be reflected on the income tax return of the individual. Vehicle transfers from an individual to a limited liability company, or vice versa, are exempt from the motor vehicle excise tax if the individual is a member of the limited liability company.

This bill is effective October 1, 1996. The income tax provisions of this bill are applicable to all taxable years beginning after December 31, 1995.

Fiscal Summary

State Effect: None. The tax treatment of a limited liability company with only one member would be the same as for the one-person entity under current law. Expenditures would not be affected.

Local Effect: None.

Information Source(s): Office of the Comptroller (Revenue Administration Division), Department of Transportation (Motor Vehicle Administration), Department of Assessments and Taxation, Department of Fiscal Services

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