

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

Senate Bill 477 (Senator Della)
Budget and Taxation

Recordation and Transfer Taxes - Exemption for Transfer Among Affiliated Entities

This bill exempts from the transfer and recordation taxes the transfer of real property from a corporation, limited liability company, or partnership to a related entity if the entity receiving the property consists of the same owners and the transfer is for no or nominal consideration.

Fiscal Summary

State Effect: General and special fund revenues would decline an indeterminate amount beginning in FY 1997. Expenditures would not be affected.

Local Effect: Local revenues would decline an indeterminate amount. Expenditures would not be affected.

Fiscal Analysis

State Revenues: This bill would exempt from the State transfer tax an unknown number of currently taxable transactions. The State received \$378,000 in fiscal 1994 and \$744,000 in fiscal 1995 from transfers of property between entities. The number of these transactions which would be exempt under this bill and any additional transactions undertaken because of this bill cannot be reliably determined.

The revenue loss could be the entire amount of revenue received under current law, as this bill creates a means for tax-exempt transfers of real property. Property could be transferred from an entity to a separate entity composed of the same owners, and stock or interest in the transferee entity could then be sold. Through this method, real property could be transferred between business entities tax free.

Local Revenues: Local revenues from the recordation tax and local transfer taxes would

decline by an indeterminate amount beginning in fiscal 1997. These taxes on transfers of property between entities resulted in \$1.4 million of local government revenue in fiscal 1994 and \$2.3 million in fiscal 1995. The number of these transactions which would be exempt under this bill and any additional transactions undertaken because of this bill cannot be reliably determined.

Information Source(s): Department of Assessments and Taxation, Department of Fiscal Services

Fiscal Note History: First Reader - March 5, 1996

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