

Department of Fiscal Services  
Maryland General Assembly

FISCAL NOTE

House Bill 979 (Delegate Finifter, et al.)  
Ways and Means

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**Recordation and Transfer Taxes -  
Transfers from Partnerships to Limited Liability Companies**

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This bill exempts from transfer and recordation taxes transfers of real property from a partnership to a limited liability company (LLC) if (1) the members of the LLC are identical to the partners of the converting partnership; and (2) each member's allocation of profits and losses of the LLC is identical to that member's allocation of profits and losses of the converting partnership.

This bill is effective July 1, 1996.

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**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.

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**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 properties 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. However, it is assumed that the loss would not be a significant percentage of the above figures since the exemption created by this bill only applies to transfers from partnerships to LLCs.

This bill creates a means for tax-exempt transfers of real property beyond related entities.

Real property could be transferred tax-free under this bill from a partnership to an LLC composed of the same ownership. Equity interests in the LLC could then be sold to other individuals, which would transfer ownership of the real property. This transaction is not taxable under current law.

**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.

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

**Fiscal Note History:** First Reader - March 11, 1996  
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Analysis by: David F. Roose  
Reviewed by: John Rixey

Direct Inquiries to:  
John Rixey, Coordinating Analyst  
(410) 841-3710  
(301) 858-3710