

Department of Fiscal Services  
Maryland General Assembly

FISCAL NOTE  
Revised

Senate Bill 814 (Senator Boozer)  
Budget and Taxation

Referred to Ways and Means

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**Limited Liability Companies - Tax Exemption for Transfers of Real Property From  
a Predecessor Entity to a Limited Liability Company**

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This amended bill exempts transfers of real property from a joint venture or a proprietorship involved primarily in real property transactions to a limited liability company (LLC) from transfer and recordation taxes if the members of the joint venture or proprietorship and the LLC are identical and the predecessor entity is dissolved for purposes of converting to a LLC. A transfer from a partnership to a LLC is exempt from these taxes under current law.

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**Fiscal Summary**

**State Effect:** Indeterminate decrease in revenues beginning in FY 1998. Expenditures would not be affected.

**Local Effect:** Indeterminate decrease in local revenues beginning in FY 1998. Expenditures would not be affected.

**Small Business Effect:** Minimal effect on small businesses as discussed below.

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**Fiscal Analysis**

**State Revenues:** Exempting transfers of real property from a joint venture or a proprietorship to a limited liability company from transfer taxes would reduce State revenues for Program Open Space, the Agricultural Land Preservation Fund, and the Heritage Conservation Fund. Exempting these real property transfers from a joint venture or a proprietorship to a limited liability company from recordation taxes would decrease the amount of fees collected by the clerks of the courts for the collection of recordation taxes for local governments. Real property could be transferred tax-free under this bill from a joint venture or a proprietorship to a 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 exempt from recordation and transfer taxes under current law. The extent of the exemptions that would occur and collection fees that may be lost cannot be reliably estimated at this time.

**Local Revenues:** The exemption from county transfer taxes provided by this bill would reduce revenues for the 17 counties that assess a transfer tax; any specific decrease in revenues cannot be reliably estimated at this time. Local governments received approximately \$124 million in recordation taxes in fiscal 1996. The exemption from recordation taxes provided by this bill would result in a reduction in recordation tax revenues received by local governments but any specific decrease in revenues cannot be reliably estimated at this time.

**Small Business Effect:** This bill could positively affect small business joint ventures and proprietorships by exempting property transferred to a limited liability company from transfer and recordation taxes.

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**Information Sources:** Department of Assessments and Taxation, Judiciary (Administrative Office of the Courts), Department of Fiscal Services

**Fiscal Note History:** First Reader - March 4, 1997  
ncs Revised - Senate Third Reader - March 26, 1997

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