
By: **Delegates Poole and Frank**

Introduced and read first time: February 12, 1998

Assigned to: Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2 **Limited Liability Companies - Tax Exemption for Transfers of Real Property**
3 **to a Limited Liability Company and Conversions to a Limited Liability**
4 **Company**

5 FOR the purpose of allowing a foreign general partnership or a foreign limited
6 partnership to convert to a Maryland limited liability company; altering the
7 exemption from recordation and State and county transfer taxes, for an
8 instrument in writing that transfers title to real property to a limited liability
9 company, to include transfers from a foreign general partnership, foreign
10 limited partnership, foreign limited liability partnership, foreign limited
11 liability limited partnership, foreign proprietorship, or foreign joint venture;
12 altering a certain definition; and generally relating to conversions to limited
13 liability companies and the recordation and State and county transfer tax
14 exemption for certain transfers of real property from certain entities to a limited
15 liability company.

16 BY repealing and reenacting, without amendments,
17 Article - Corporations and Associations
18 Section 4A-101(a) and (m)
19 Annotated Code of Maryland
20 (1993 Replacement Volume and 1997 Supplement)

21 BY repealing and reenacting, without amendments,
22 Article - Corporations and Associations
23 Section 4A-101(r)
24 Annotated Code of Maryland
25 (1993 Replacement Volume and 1997 Supplement)
26 (As enacted by Chapter 654 of the Acts of the General Assembly of 1997)

27 BY repealing and reenacting, with amendments,
28 Article - Corporations and Associations
29 Section 4A-211
30 Annotated Code of Maryland

1 (1993 Replacement Volume and 1997 Supplement)

2 BY repealing and reenacting, with amendments,

3 Article - Tax - Property

4 Section 12-108(y)

5 Annotated Code of Maryland

6 (1994 Replacement Volume and 1997 Supplement)

7 BY repealing and reenacting, without amendments,

8 Article - Tax - Property

9 Section 13-207(a)(18) and 13-405(c)

10 Annotated Code of Maryland

11 (1994 Replacement Volume and 1997 Supplement)

12 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
13 MARYLAND, That the Laws of Maryland read as follows:

14 **Article - Corporations and Associations**

15 4A-101.

16 (a) In this title the following terms have the meanings indicated.

17 (m) "Limited partnership" means a Maryland limited partnership or foreign
18 limited partnership as defined in § 10-101 of this article.

19 (r) "Partnership" means a partnership formed under the laws of this State,
20 any other state, or under the laws of a foreign country.

21 4A-211.

22 (a) A [general partnership formed under the provisions of Title 9 of this article
23 or a limited partnership formed under the provisions of Title 10 of this article]
24 PARTNERSHIP may convert to a limited liability company by filing articles of
25 organization that meet the requirements of § 4A-204 of this subtitle and include the
26 following:

27 (1) The name of the former general partnership or limited partnership;
28 and

29 (2) The date of formation of the partnership and place of filing of the
30 initial statement of partnership, if any, or certificate of limited partnership of the
31 former general partnership or limited partnership.

32 (b) The terms and conditions of a conversion of a general or limited
33 partnership to a limited liability company shall be approved by the partners in the
34 manner provided in the partnership's partnership agreement for amendments to the

1 partnership agreement or, if no such provision is made in a partnership agreement, by
2 unanimous agreement of the partners.

3 (c) (1) A general partner of a limited partnership or a partner of a general
4 partnership who becomes a member of a limited liability company as a result of the
5 conversion remains liable as a general partner of a limited partnership or a partner of
6 a general partnership for any obligation or liability of the partnership incurred or
7 arising before the conversion takes effect, to the extent that the partner or general
8 partner would have been obligated or liable if the conversion had not occurred.

9 (2) The partner's or general partner's liability for all obligations or
10 liabilities of the limited liability company incurred or arising after the conversion
11 takes effect is that of a member of a limited liability company, as provided in this title.

12 Article - Tax - Property

13 12-108.

14 (y) (1) In this subsection, "predecessor entity" includes a:

15 (i) MARYLAND OR FOREIGN general partnership;

16 (ii) MARYLAND OR FOREIGN limited partnership;

17 (iii) MARYLAND OR FOREIGN limited liability partnership;

18 (iv) MARYLAND OR FOREIGN limited liability limited partnership;

19 (v) MARYLAND OR FOREIGN proprietorship, comprised of one or
20 more individuals, which is involved principally in buying, selling, leasing, or
21 managing real property; and

22 (vi) MARYLAND OR FOREIGN joint venture.

23 (2) An instrument of writing that transfers title to real property from a
24 predecessor entity or a trustee or nominee of a predecessor entity to a limited liability
25 company is not subject to recordation tax if:

26 (i) 1. the members of the limited liability company are identical
27 to the partners of the converting general partnership, limited partnership, limited
28 liability partnership, or limited liability limited partnership;

29 2. the members of the limited liability company are identical
30 to the individual or individuals of the converting proprietorship; or

31 3. the members of the limited liability company are identical
32 to the joint venturers of the converting joint venture;

1 (ii) each member's allocation of the profits and losses of the limited
2 liability company is identical to that member's allocation of the profits and losses of
3 the converting predecessor entity; and

4 (iii) the instrument of writing that transfers title to real property
5 represents the dissolution of the predecessor entity for purposes of conversion to a
6 limited liability company.

7 13-207.

8 (a) An instrument of writing is not subject to transfer tax to the same extent
9 that it is not subject to recordation tax under:

10 (18) § 12-108(y) of this article (Transfer from predecessor entity to limited
11 liability company).

12 13-405.

13 (c) A corporate, limited liability company, or partnership transfer as described
14 in § 12-108(p), (q), (v), (w), and (y) of this article is not subject to the county transfer
15 tax.

16 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
17 October 1, 1998.