

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE

House Bill 878 (Delegates Poole and Frank)

Ways and Means

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

This bill allows an instrument of writing transferring real property ownership when a foreign entity converts to a limited liability company to be exempt from recordation and transfer taxes.

Fiscal Summary

State Effect: Indeterminate decrease in special fund revenues. Any expenditures resulting from modifications to the Department of Assessments and Taxation’s computer systems, estimated at \$25,000, could be handled with existing resources.

Local Effect: Indeterminate decrease in local revenues. Expenditures would not be affected.

Small Business Effect: Minimal impact on small businesses.

Fiscal Analysis

Bill Summary: The bill clarifies that the definition of a “predecessor entity” includes a State or foreign general partnership, limited partnership, limited liability partnership, limited liability limited partnership, proprietorship, or joint venture for purposes of an exemption from recordation and transfer taxes.

State Revenues: State transfer tax revenues could decrease depending on the number of foreign entities that convert to a limited liability company. The State transfer tax rate is 0.5% of the value of consideration paid, and revenues are dedicated to Program Open Space, the Rural Legacy Program, the Agricultural Land Preservation Fund, and the Heritage Preservation Fund. This exemption could also reduce fees received by the clerks of the courts for collecting local recordation and transfer taxes. The extent of the exemptions that would occur and collection fees that may be lost cannot be reliably estimated at this time.

Local Revenues: As with State transfer tax revenues, local recordation and transfer tax revenues could decrease depending on the number of entities that convert to limited liability companies. The Department of Legislative Services does not have any information on which to base an estimate of the revenue loss. **Exhibit 1** provides a listing of local recordation and transfer tax rates for fiscal 1998. County recordation tax rates range from \$1.65 per \$500 of consideration in Somerset County to \$5.00 per \$500 of consideration in Charles County. A total of 17 counties impose a transfer tax, with rates ranging from 0.2% in Allegeny County to 6% in Montgomery County.

Information Sources: Department of Assessments and Taxation, Prince George's County, Department of Legislative Services

Fiscal Note History: First Reader - March 2, 1998

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Exhibit 1
Local Recordation and Transfer Tax Rates
Fiscal 1998

County	Recordation Tax Rate per \$500 of consideration	Transfer Tax Rate
Allegeny	\$2.20	0.2%
Anne Arundel	3.50	1.0%
Baltimore City	2.75	1.5%
Baltimore	2.50	1.5%
Calvert	3.30	0.0%
Caroline	3.30	0.5%
Carroll	3.50	0.0%
Cecil	2.20	0.0%
Charles	5.00	0.0%
Dorchester	3.30	1.0%
Frederick	3.50	0.0%
Garrett	3.50	1.0%
Harford	3.30	1.0%
Howard	2.50	1.0%
Kent	3.30	0.5%
Montgomery	2.20	1%-6%
Prince George's	2.20	1.4%
Queen Anne's	3.30	0.5%
St. Mary's	3.30	1.0%
Somerset	1.65	0.0%
Talbot	3.30	1.0%
Washington	3.80	0.0%
Wicomico	2.30	0.5%
Worcester	3.30	0.5%

Source: Department of Legislative Services