

HOUSE BILL 1338

Unofficial Copy  
Q6

2000 Regular Session  
(01r2873)

**ENROLLED BILL**  
-- Ways and Means/Budget and Taxation --

Introduced by **Delegate Finifter**

Read and Examined by Proofreaders:

\_\_\_\_\_  
Proofreader.

\_\_\_\_\_  
Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this  
\_\_\_\_ day of \_\_\_\_\_ at \_\_\_\_\_ o'clock, \_\_\_\_M.

\_\_\_\_\_  
Speaker.

CHAPTER \_\_\_\_\_

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; *defining certain terms*; and generally relating to  
13 conversions to limited liability companies and the recordation and State and  
14 county transfer tax exemption for certain transfers of real property from certain  
15 entities to a limited liability company.

16 BY repealing and reenacting, without amendments,

1 Article - Corporations and Associations  
2 Section 4A-101(a), (m), and (r)  
3 Annotated Code of Maryland  
4 (1999 Replacement Volume)

5 BY repealing and reenacting, with amendments,  
6 Article - Corporations and Associations  
7 Section 4A-211  
8 Annotated Code of Maryland  
9 (1999 Replacement Volume)

10 BY repealing and reenacting, with amendments,  
11 Article - Tax - Property  
12 Section 12-108(y)  
13 Annotated Code of Maryland  
14 (1994 Replacement Volume and 1999 Supplement)

15 BY repealing and reenacting, without amendments,  
16 Article - Tax - Property  
17 Section 13-207(a)(18) and 13-405(c)  
18 Annotated Code of Maryland  
19 (1994 Replacement Volume and 1999 Supplement)

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

22 **Article - Corporations and Associations**

23 4A-101.

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

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

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

29 4A-211.

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

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

3 (2) The date of formation of the partnership and place of filing of the  
4 initial statement of partnership, if any, or certificate of limited partnership of the  
5 former general partnership or limited partnership.

6 (b) The terms and conditions of a conversion of a general or limited  
7 partnership to a limited liability company shall be approved by the partners in the  
8 manner provided in the partnership's partnership agreement for amendments to the  
9 partnership agreement or, if no such provision is made in a partnership agreement, by  
10 unanimous agreement of the partners.

11 (c) (1) A general partner of a limited partnership or a partner of a general  
12 partnership who becomes a member of a limited liability company as a result of the  
13 conversion remains liable as a general partner of a limited partnership or a partner of  
14 a general partnership for any obligation or liability of the partnership incurred or  
15 arising before the conversion takes effect, to the extent that the partner or general  
16 partner would have been obligated or liable if the conversion had not occurred.

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

20 **Article - Tax - Property**

21 12-108.

22 (y) (1) (I) In this subsection, ~~"predecessor entity" includes a:~~ THE  
23 FOLLOWING WORDS HAVE THE MEANINGS INDICATED.

24 (II) "FOREIGN GENERAL PARTNERSHIP", "FOREIGN LIMITED  
25 PARTNERSHIP", "FOREIGN LIMITED LIABILITY PARTNERSHIP", "FOREIGN LIMITED  
26 LIABILITY LIMITED PARTNERSHIP", "FOREIGN PROPRIETORSHIP", AND "FOREIGN  
27 JOINT VENTURE" MEAN, RESPECTIVELY, A PARTNERSHIP, LIMITED PARTNERSHIP,  
28 LIMITED LIABILITY LIMITED PARTNERSHIP, PROPRIETORSHIP, OR JOINT VENTURE  
29 ORGANIZED OR FORMED UNDER THE LAWS OF THE UNITED STATES, ANOTHER  
30 STATE OF THE UNITED STATES, OR A TERRITORY, POSSESSION, OR DISTRICT OF THE  
31 UNITED STATES.

32 (III) "PREDECESSOR ENTITY" INCLUDES A:

33 (i) 1. MARYLAND GENERAL PARTNERSHIP OR FOREIGN general  
34 partnership;

35 (ii) 2. MARYLAND LIMITED PARTNERSHIP OR FOREIGN limited  
36 partnership;

37 (iii) 3. MARYLAND LIMITED LIABILITY PARTNERSHIP OR  
38 FOREIGN limited liability partnership;

1                   ~~(iv)~~    4.       MARYLAND LIMITED LIABILITY LIMITED PARTNERSHIP  
 2 OR FOREIGN limited liability limited partnership;

3                   ~~(v)~~       5.       MARYLAND PROPRIETORSHIP OR FOREIGN  
 4 proprietorship, comprised of one or more individuals, which is involved principally in  
 5 buying, selling, leasing, or managing real property; and

6                   ~~(vi)~~       6.       MARYLAND JOINT VENTURE OR FOREIGN joint venture.

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

10                   (i)       1.       the members of the limited liability company are identical  
 11 to the partners of the converting general partnership, limited partnership, limited  
 12 liability partnership, or limited liability limited partnership;

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

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

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

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

23 13-207.

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

26                   (18)       § 12-108(y) of this article (Transfer from predecessor entity to limited  
 27 liability company); or

28 13-405.

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

32       SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take  
 33 effect October 1, 2000.

