

Department of Legislative Services  
Maryland General Assembly  
2000 Session

FISCAL NOTE

House Bill 1227 (Delegate Giannetti)

Commerce and Government Matters

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Credit Regulation - Permitted Rates of Interest -  
Loans to Limited Liability Companies

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This bill authorizes a lender making a loan to a limited liability company to charge any rate of interest.

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Fiscal Summary

**State Effect:** Enforcement could be handled with existing resources.

**Local Effect:** None.

**Small Business Effect:** Minimal.

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Analysis

**Current Law:** Except as otherwise provided by law, the legal rate of interest is 6% per annum. A lender may charge any rate of interest on: (1) a loan made to a corporation; (2) a commercial loan exceeding \$15,000 if not secured by residential real property; or (3) a commercial loan exceeding \$75,000 if secured by residential real property. Special rules apply to commercial loans secured by residential real property made to individuals. If a written agreement is signed by the borrower, a lender may charge 8% simple interest per annum. For an unsecured loan with a written agreement signed by the borrower, a lender may charge 24% per annum.

**Background:** A limited liability company (LLC) is somewhat of a hybrid between a corporation and a partnership. It provides limited liability to its members to the same extent

that corporations do so for their stockholders, while allowing for pass-through taxation for federal and State income tax purposes like a partnership.

**Small Business Effect:** Small business LLCs could pay higher interest rates for commercial borrowing.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Department of Labor, Licensing, and Regulation (Commissioner of Financial Regulation); Office of the Attorney General; Department of Legislative Services

**Fiscal Note History:** First Reader - March 3, 2000  
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