

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE

House Bill 130 (Chairman, Ways and Means Committee)
(By Request – Departmental – Assessments and Taxation)
Ways and Means Budget and Taxation

Property Tax Exemptions - Charitable or Educational Purposes - Requirements

This departmental bill permits property held by a limited liability company (LLC) and otherwise eligible for a property tax exemption for charitable or educational purposes to receive the exemption without setting up a trust agreement for the property.

The bill takes effect June 1, 2005.

Fiscal Summary

State Effect: No direct effect on State finances; however, the bill could result in administrative savings related to the review of trust agreements filed by LLCs.

Local Effect: None.

Small Business Effect: The State Department of Assessments and Taxation (SDAT) has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

Analysis

Current Law: Property owned by a corporation and held for the sole benefit of an organization that qualifies for a charitable or educational exemption is eligible to receive a property tax exemption.

Background: Each year there are approximately 1,600 to 2,000 new applications for exemptions from the property tax with most entities seeking the exemption granted to religious organizations. Of these applications, approximately 100 are for property titled to an LLC. In order to qualify for an exemption, under current law, the properties titled to LLCs must additionally set up a trust agreement. These trust agreements are very complex and require review by legal staff of SDAT or the Assistant Attorneys General assigned to SDAT. Establishing a trust agreement is an additional legal and financial requirement that corporations do not have to undertake. This bill would treat corporations and LLCs the same with regard to qualifying for a property tax exemption for charitable and education purposes.

LLCs are becoming the preferred entity type for property ownership. The number of new LLCs being formed is growing by approximately 25% each year. The number of new corporations is fairly constant.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): State Department of Assessments and Taxation, Department of Legislative Services

Fiscal Note History: First Reader - January 21, 2005
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