

Department of Legislative Services  
Maryland General Assembly  
2006 Session

FISCAL AND POLICY NOTE

House Bill 960

(Delegate Bohanan)

Environmental Matters

Education, Health, and Environmental  
Affairs

---

Housing Authorities - Entities to Undertake Housing Projects

---

This bill includes a limited liability company (LLC) as a type of cost-for-profit entity that a housing authority may establish and control that may own, operate, and take steps necessary to develop and undertake housing projects.

The bill takes effect July 1, 2006.

---

Fiscal Summary

**State Effect:** None. The bill would not directly affect governmental operations or finances.

**Local Effect:** Local housing authorities would be eligible to form LLCs as opposed to not-for-profit corporations; it is assumed any technical advantages of an LLC would have minimal fiscal impact, if any.

**Small Business Effect:** None.

---

Analysis

**Current Law:** A local housing authority may establish and control not-for-profit corporations that may own, operate, and take necessary steps to develop and undertake housing projects in the authority's area of operation.

**Background:** An LLC is a legal entity that combines certain elements of a corporation and a partnership. Unlike a partnership or a corporation, an LLC has members, not shareholders or partners.

An advantage of an LLC is that the procedures for creating and registering LLCs are much simpler than the requirements most states place on forming and operating corporations, such as the lack of requirement for annual meetings of shareholders or bylaws.

In Maryland, LLCs file articles of organization with the State Department of Assessments and Taxation (SDAT). SDAT advises that LLCs are becoming the preferred legal entity to set up to own real estate, as they are a more flexible legal entity than a corporation. All members of an LLC can participate in the day-to-day management of the business, unlike a general partnership.

**State Fiscal Effect:** SDAT advises that both not-for-profit corporations and LLCs pay the same fees to register with the State, therefore revenues would not be affected. Operations of the Department of Housing and Community Development would not be affected.

**Local Fiscal Effect:** Local housing authorities would be able to form LLCs to undertake housing projects with other entities; however, housing authorities previously could have established not-for-profit corporations to undertake these projects, therefore no new projects would be undertaken. It is assumed that any legal and technical operating advantages of an LLC as opposed to a not-for-profit corporation would have minimal fiscal impact.

---

### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** State Department of Assessments and Taxation, Montgomery County, Prince George's County, Garrett County, Dorchester County, Baltimore County, Anne Arundel County, Department of Legislative Services

**Fiscal Note History:** First Reader - February 21, 2006  
ncs/jr

---

Analysis by: Nora C. McArdle

Direct Inquiries to:

(410) 946-5510  
(301) 970-5510