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THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

January 21, 2026
The Maryland State Senate Budget & Taxation Committee
The Honorable Guy Guzzone
3 West Miller Senate Office Building
Annapolis, Maryland 21401

RE: Senate Bill 33 – Recordation and Transfer Taxes – Exemption for Related Business Entities – Common Law Trusts

Chair Guzzone, Vice-Chair Rosapepe, and Members of the Budget & Taxation Committee,

For many years, most business entities in Maryland have been able to transfer title to real property owned by the business entity to a wholly owned subsidiary without paying recordation and transfer taxes. Generally, the subsidiary is formed strictly to hold the real property (and is commonly referred to as a “special purpose entity”).

Why would a firm want to make such transfers? The most typical reason is to put the real estate into the single purpose subsidiary so if a situation should arise in which a large judgment is entered against the subsidiary, the liability will only attach to the subsidiary and the real estate owned by the subsidiary and will not attach to the other property owned by the parent entity.

This is a very common risk management technique, and the Tax-Property Article currently specifically authorizes corporations, limited liability companies, limited partnerships and statutory trusts to make such real property transfers without paying recordation or transfer taxes. But there is another form of business entity known as a common law trust. The Tax Property Article does not currently include common law trusts in the list of business entities that can transfer real property in this way.

Senate Bill 33 will rectify this issue by simply adding common law trusts to the list of business entities permitted to transfer real property to a wholly owned subsidiary without paying recordation and transfer taxes.

I appreciate the Committee’s consideration of Senate Bill 33 and will be happy to answer any questions the Committee may have.