



Maryland Chamber of Commerce

Legislative Position

**SB 727
OPPOSE**

**Budget &
Taxation
Committee
3/25/09**

SB 727

Recordation and Transfer Tax – Controlling Interest Transfers

Bill Summary: This bill would impose recordation and transfer taxes on transfers of controlling interests in real property entities that own less than \$1 million of Maryland real property. The bill would also require domestic limited liability companies to report to the State Department of Assessments and Taxation the names and addresses of each organizer and person authorized to execute documents for the entity.

Chamber Position: The Maryland Chamber opposes this bill. This bill extends the transfer of controlling interest tax to small businesses less than a year after the tax was effective and requires extensive reporting of individuals managing limited liability companies organized in Maryland.

Although legislation was proposed for 17 years to impose recordation and transfer taxes on transfers of a controlling interest in entities owning Maryland real property, one common thread in *all* of those bills was that they exempted small businesses from the tax. In the initial bills the exemption was for entities owning less than \$500,000 of real property; in later years the exemption was \$1 million. Since the tax was effective July 1, 2008, the actual collections from the tax have been miniscule. The fiscal note again overstates potential revenues by extrapolating on the earlier DLS overestimates, while ignoring the fact that very little revenues have been collected to date.

The part of the bill requiring extensive listings of organizers and managers of LLCs is ill-conceived and poorly drafted. Such a reporting requirement would be far beyond what other states require for LLC filings. Because this language is drafted to only apply to LLCs organized in Maryland, business entities would simply organize in Delaware or other states that did not require such disclosure.

There is model legislation being developed by the National Conference of Commissioners on Uniform State Laws that addresses business organization disclosure. The General Assembly should wait for the conclusion of that model legislation so that Maryland's business entity laws remain in the mainstream of national practices.

For these reasons, the Maryland Chamber urges that this bill be given an unfavorable report.

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