



February 8, 2016

The Honorable Sheila E. Hixson  
Chair, Ways and Means Committee  
Maryland House of Delegates  
131 House Office Building  
Annapolis, MD 21401

Dear Chairwoman Hixson:

The Maryland Association of Counties (MACo) is writing to express its **SUPPORT** for **HB 44**. This bill would create a new exemption from the transfer and recordation tax for the transfer of property from a sole proprietorship to a limited liability company (LLC) if the sole member of the limited liability company is identical to the converting sole proprietor.

Current law offers a variety of exemptions for transfers accomplishing a corporate restructuring. Small business owners who operate as sole proprietors are not able to benefit from these exemptions. HB 44 could benefit small business in the state by extending these same exemptions to the transfer of property from a sole proprietorship to an LLC if the owner of the business is the same.

While MACo supports this goal of the legislation, it would like to make the Committee aware that this change could indirectly empower some property owners to trigger a new avenue for tax avoidance: (1) declare the self-owned property to be held as a sole proprietorship, (2) transfer it to an LLC without tax consequences, and (3) sell the membership of the LLC to another person, again without tax consequences. To limit this opportunity for abuse, the Committee may wish to consider limiting the application of HB 44 to properties subject to the "controlling interest" threshold already in Maryland law.

Thank you for your consideration. Please contact me if I can provide any additional information.

Sincerely,

A handwritten signature in black ink, appearing to read 'Michael Sanderson', is written over a light blue background.

Michael Sanderson  
Executive Director, MACo

CC: The Honorable Aruna Miller, Maryland House of Delegates  
Stanford Ward, Ways & Means Committee Staff