



House Bill 82

Recordation and Transfer Taxes - Exemption for Related Business Entities - Common Law Trusts

MACo Position: **OPPOSE**

To: Ways and Means Committee

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From: Kevin Kinnally

The Maryland Association of Counties (MACo) **OPPOSES** HB 82.

HB 82 creates a new tax avoidance pathway that directly erodes county revenues, removes local discretion, and provides no public benefit in return. The bill expands existing exemptions in a way that benefits a narrow, sophisticated group of commercial property owners while shifting costs to counties and, ultimately, residents.

The bill alters exemptions from the county recordation tax and the state and county transfer taxes for transfers between related business entities. Current law allows an exemption for transfers among related entities such as corporations, limited liability companies, limited partnerships, and statutory trusts, where ownership does not meaningfully change. That exemption exists to prevent double taxation in limited, well-defined circumstances.

This bill expands the exemption to include common-law trusts. Unlike statutory entities, common law trusts offer flexibility that can mask meaningful changes in ownership while preserving technical eligibility for the exemption. The bill allows high-value real property to change hands without paying recordation or transfer taxes that counties rely on to fund core services.

Recordation and transfer taxes remain primarily local revenue sources. Counties depend on those revenues to support public safety, infrastructure, schools, and other essential services. HB 82 automatically and permanently reduces those revenues without county input or the ability to offset the loss.

The bill does not incentivize housing production, redevelopment, nor job creation. It does not target distressed properties or advance any public policy objective. **Instead, it facilitates the restructuring of ownership interests on paper to avoid taxes that would otherwise apply.** Homeowners and small businesses that lack access to complex trust structures continue to pay full taxes, while considerable commercial transactions gain a new exemption.

Counties have raised concerns about similar structures in the past. These arrangements often create artificial separations between entities solely to avoid taxation. HB 82 expands that opportunity and increases the risk of tax avoidance in large commercial real estate transactions, where even a single exempt transfer can result in a significant revenue loss for local governments, who are already facing significant budget shortfalls for essential services.

HB 82 shifts costs away from a narrow set of sophisticated property owners and onto county governments and residents, eroding a core local revenue source and sidelining local decision-making without advancing any public purpose.

For these reasons, MACo urges the Committee to issue an **UNFAVORABLE** report on HB 82.