

Department of Legislative Services
Maryland General Assembly
2018 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 993

(Senator Jennings)

Judicial Proceedings

**Corporations and Associations - Fee for Processing Articles of Dissolution and
Certificates of Cancellation - Repeal**

This bill repeals the \$100 nonrefundable processing fee that must be paid by business entities to the State Department of Assessments and Taxation (SDAT) for filing articles of dissolution and certificates of cancellation. **The bill takes effect July 1, 2018.**

Fiscal Summary

State Effect: General fund revenues decrease by approximately \$800,100 annually beginning in FY 2019. Expenditures are not affected.

(in dollars)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
GF Revenue	(\$800,100)	(\$800,100)	(\$800,100)	(\$800,100)	(\$800,100)
Expenditure	0	0	0	0	0
Net Effect	(\$800,100)	(\$800,100)	(\$800,100)	(\$800,100)	(\$800,100)

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: Business entities that file articles of dissolution and certificates of cancellation with SDAT must pay a \$100 nonrefundable processing fee.

Background: SDAT's charter unit is the central repository of all records for business entity formation and filings, such as charters, limited liability companies, partnerships, and

trusts. The charter unit provides resident agent information for service of process on these entities and accepts service in certain instances on their behalf. The charter unit also records trade names and is the filing place for most financing statements under the Uniform Commercial Code. The charter unit administers the State’s annual corporate filing fee, as well as other business transaction fees. Revenue collected is deposited into the State general fund.

State Fiscal Effect: General fund revenues decrease by approximately \$800,100 annually beginning in fiscal 2019 from business entities no longer paying the \$100 fee. The estimate is based on the average number of articles of dissolution and certificates of cancellation that have been filed with SDAT’s charter unit, as shown in **Exhibit 1**.

Exhibit 1
Articles of Dissolution and Certificates of Cancellation – Repeal of \$100 Fee

<u>Year</u>	<u>Number Filed</u>	
	<u>Dissolution</u>	<u>Cancellation</u>
2015	2,038	5,882
2016	2,044	5,873
2017	1,982	6,184
Total	6,064	17,939
Three-year Average of Filings	2,021	5,980
Fee	\$100	\$100
General Fund Decrease	\$202,133	\$597,967

Source: State Department of Assessments and Taxation

Additional Comments: SDAT indicates that the \$100 filing fee may represent a significant burden on businesses that are ready to dissolve, many of which are closing for financial reasons. Because SDAT has no enforcement mechanism, many entities simply avoid filing articles of dissolution and instead force SDAT to commence a forfeiture process that can take as much as 20 months to conclude. In the meantime, the business may incur tax liabilities that it has no ability to pay, and local government may expend time and resources attempting to collect those taxes.

Additional Information

Prior Introductions: SB 656 of 2017 received a favorable with amendments report from the Senate Judicial Proceedings Committee and passed the Senate. The bill received an unfavorable report from the House Economic Matters Committee. Its cross file, HB 714, also received an unfavorable report from the House Economic Matters Committee.

Cross File: HB 18 (Delegate Clark, *et al.*) - Economic Matters.

Information Source(s): State Department of Assessments and Taxation; Department of Legislative Services

Fiscal Note History: First Reader - February 9, 2018
md/hlb

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