

Department of Legislative Services
 Maryland General Assembly
 2018 Session

FISCAL AND POLICY NOTE
Third Reader

Senate Bill 9 (Chair, Judicial Proceedings Committee)(By Request -
 Departmental - Assessments and Taxation)

Judicial Proceedings

Economic Matters

Corporations and Associations - Fee for Processing Return of an Original Document - Repeal

This departmental bill repeals a requirement that persons filing specified documents with the State Department of Assessments and Taxation (SDAT) pay a \$5 nonrefundable processing fee to have an original document returned to them.

Fiscal Summary

State Effect: General fund revenues decrease by approximately \$26,000 in FY 2019 and by \$34,700 annually thereafter. Expenditures are not affected.

(in dollars)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
GF Revenue	(\$26,000)	(\$34,700)	(\$34,700)	(\$34,700)	(\$34,700)
Expenditure	0	0	0	0	0
Net Effect	(\$26,000)	(\$34,700)	(\$34,700)	(\$34,700)	(\$34,700)

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

Local Effect: None.

Small Business Effect: SDAT has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment.

Analysis

Current Law: Business entities that file specified documents with SDAT including, articles of incorporation; articles of amendment; articles of extension; articles of

restatement of charter; articles of amendment and restatement; articles supplementary; articles of share exchange; articles of consolidation, merger, or transfer; articles of dissolution; articles of revival for stock corporation; articles of revival for nonstock corporation; articles of conversion; and articles of dissolution with SDAT must pay a \$100 nonrefundable processing fee. In addition, a \$5 nonrefundable processing fee must be paid for the return of an original document.

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.

SDAT reports that, since 2005, the department has begun scanning various documents that are submitted to the department for processing which are then made available, for free, on the department's website. As a result, customers are able to either download the documents from the website or copy the documents prior to submitting them to SDAT which mitigates the need for SDAT to return original documents. SDAT advises that either of these options provides the same legal effect as having the original documents returned. SDAT reports that returning documents is often a time-consuming process and eliminating this process will remove an antiquated requirement thereby improving overall customer service.

State Revenues: SDAT reports that in fiscal 2017 there were 6,936 transactions where customers paid the \$5 fee. As a result, it is estimated that general fund revenues will decrease by approximately \$34,680 on an annual basis. However, due to the October 1, 2018 effective date, general fund revenues will decrease by approximately \$26,000 in fiscal 2019. SDAT advises that not having to return original documents will streamline the filing process and may lead to an increase in the efficiency of filing these documents.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - January 15, 2018
md/hlb Third Reader - January 31, 2018

Analysis by: Michael Sanelli

Direct Inquiries to:
(410) 946-5510
(301) 970-5510

ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Corporations and Associations – Original Documents

BILL NUMBER: SB 9

PREPARED BY: Corbett Webb, 410-767-1142, corbett.webb@maryland.gov

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

It will simplify the filing process for small-business owners and could potentially save them \$5 for an unnecessary and antiquated service.