

Department of Legislative Services
 Maryland General Assembly
 2019 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 165 (Chair, Economic Matters Committee)(By Request -
 Departmental - Assessments and Taxation)

Economic Matters

**Corporations and Associations - Fees for Processing Articles of Dissolution,
 Certificates of Cancellation, and Other Documents - Repeal**

This departmental 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 also repeals the \$25 nonrefundable processing fee that foreign entities pay to file applications of termination. **The bill takes effect July 1, 2019.**

Fiscal Summary

State Effect: General fund revenues decrease by approximately \$822,500 annually beginning in FY 2020. Expenditures are not affected.

(in dollars)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
GF Revenue	(\$822,500)	(\$822,500)	(\$822,500)	(\$822,500)	(\$822,500)
Expenditure	0	0	0	0	0
Net Effect	(\$822,500)	(\$822,500)	(\$822,500)	(\$822,500)	(\$822,500)

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 a meaningful impact on small business (attached). The Department of Legislative Services (DLS) disagrees with this assessment as discussed below.

Analysis

Current Law: Business entities that file articles of dissolution and certificates of cancellation with SDAT must pay a \$100 nonrefundable processing fee. Foreign entities are required to pay a \$25 nonrefundable processing fee to file an application of termination.

Background: SDAT indicates that the various filing fees 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.

SDAT Charter Unit

The SDAT 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 \$822,500 annually beginning in fiscal 2020 from business entities no longer paying the \$100 and \$25 processing fees. The estimate is based on the average number of articles of dissolution, certificates of cancellation, and foreign entity applications of termination that have been filed with the SDAT charter unit since 2015, as shown in **Exhibit 1**.

Exhibit 1
Repeal of Specified Filing Fees

<u>Year</u>	<u>Number Filed</u>		
	<u>Dissolution</u>	<u>Cancellation</u>	<u>Termination</u>
2015	2,038	5,882	599
2016	2,044	5,873	722
2017	1,982	6,184	778
2018	1,932	6,253	754
Total	7,996	24,192	2,853
Four-year Average of Filings	1,999	6,048	713
Fee	\$100	\$100	\$25
General Fund Decrease	\$199,900	\$604,800	\$17,831

Source: State Department of Assessments and Taxation

Small Business Effect: While DLS generally concurs that the bill will have a positive impact on small businesses in terms of increased business efficiency, DLS estimates that the bill will have a minimal overall impact on small business revenues and expenditures.

Additional Information

Prior Introductions: SB 993 and HB 18 of 2018 are similar bills. SB 993 received an unfavorable report from the Senate Judicial Proceedings Committee and HB 18 received an unfavorable report from the House Economic Matters Committee. 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: None.

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

Fiscal Note History: First Reader - January 28, 2019
sb/hlb

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 – Fee for Processing Articles of Dissolution, Certificates of Cancellation, and Applications for Termination – Repeal

BILL NUMBER: HB 165

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

The proposed legislation would save Maryland business owners approximately \$818,500 annually for not having to pay a fee associated with articles of dissolution and certificates of cancellation.