

Department of Legislative Services
Maryland General Assembly
2021 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 106

(Chair, Finance Committee)(By Request - Departmental -
Assessments and Taxation)

Finance

Health and Government Operations

**Licensing – Good Standing With the State Department of Assessments and
Taxation – Requirement**

This departmental bill requires specified State entities that issue occupational or professional licenses to verify that specified applicants are in good standing with the State Department of Assessments and Taxation (SDAT) prior to renewing or, for some health-related licenses or permits, issuing a specified license.

Fiscal Summary

State Effect: Potential increase in filing fee revenue beginning in FY 2022. Potential operational effect on State entities that issue licenses beginning in FY 2022, as discussed below.

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

Bill Summary: The bill requires the Maryland Department of Labor (MDL), the Maryland Department of the Environment (MDE), the Maryland Department of Health (MDH), the Maryland Department of Natural Resources, the Maryland Department of Transportation, and the Comptroller's Office to verify that an applicant for a specified business license who is required to file an annual report with SDAT is in good standing with SDAT before renewing a business license. Entities authorized under the Health-General article to issue a

license or permit (primarily local health departments) must also verify that an applicant for a license or permit who is required to file an annual report with SDAT is in good standing with SDAT before issuing a license or permit.

Current Law: Various State agencies that issue business licenses are required to verify through the Comptroller’s Office that the applicant is current on tax payments and unemployment insurance contributions.

Background: At the beginning of each calendar year, SDAT notifies business entities on record that a personal property tax return must be filed by April 15. This tax return must include personal property located in Maryland as of January 1, the date of finality. The “date of finality” is the date used to determine ownership, location, value, and liability for tax purposes. Since 2017, all tax returns have been filed electronically. An annual report fee is required to be paid to SDAT with the personal property tax return. The annual report fee is for the privilege of maintaining the legal entity’s existence in the State. **Exhibit 1** identifies the amount of the report fee that each legal entity is required to pay.

Exhibit 1
Annual Reporting Fee Requirement

<u>Business Entity</u>	<u>Fee</u>	<u>Business Entity</u>	<u>Fee</u>
Stock Corp	\$300	Domestic Statutory Trust	\$300
NonStock Corp	0	Foreign Statutory Trust	300
Foreign Insurance Corp	300	Real Estate Investment Trust	300
Foreign Interstate Corp	0	Certified Family Farm	100
Limited Liability Company	300	Sole Proprietorship	0
Limited Liability Partnership	300	General Partnership	0
Limited Partnership	300	Amended Return	0

The bill will help SDAT identify businesses that have failed to submit required annual reports and pay the filing fees. Additionally, more businesses will be in good standing status with the State.

As a result of the COVID-19 pandemic, many filers contacted SDAT about bringing their entity out of forfeited status and back into good standing so as to have access to federal Paycheck Protection Program (PPP) loans. Maryland financial institutions were not processing PPP loan applications unless the entity could provide a certificate of good standing from SDAT. Unfortunately, many filers either were unaware or intentionally did not file their annual reports and personal property returns.

SDAT reports that it has a procedure called “stored procedure” that can readily be used by other agencies to verify good standing status. Currently, MDH accesses this stored procedure to verify the status of entities prior to procurement agreements. The department reports that it is in discussions with MDL for similar access.

SDAT reports that in 2016, there were 283,252 businesses with good standing status. As of September 2020, there were over 455,000 businesses in good standing, which, the department reports, is a record number.

State Revenues: To the extent the bill results in more businesses paying the required \$300 report filing fee, State general fund revenues increase accordingly. As it cannot be known how many licensees will come into compliance as a result of the bill’s verification requirement, a reliable estimate is not feasible.

State Expenditures: The bill requires many businesses in the State applying for renewal of a license or permit to be in good standing status with SDAT. Depending on the agency and number of licenses that are issued each year, there may be a minimal operational effect on that agency.

The Maryland Motor Vehicle Administration and the Maryland State Police advise that they currently require a certificate of good standing with SDAT before renewing a business license.

MDE advises that if SDAT intends for compliance with these new requirements to be performed by searching the SDAT database, this would cause a minimal operational impact on the department because MDE would need to run a check for renewals of each license and permit that is issued. MDE reports that some programs within the department currently use the SDAT database before renewing a license and permit, while others do not. Those programs that do not use SDAT’s database would need to develop an internal process to handle the new requirements and assign staff to perform this additional task.

Local Expenditures: MDH advises that the bill will have an operational impact on local health departments, which will need to do the verification before issuing any permit or license. This will be an additional step for the environmental health staff to perform, which will add to the work to complete the application; however, it is not expected to add significant time or require significant resources to do so. MDH assumes that local health departments will be given access to the site for this verification to be conducted and that it would not require any additional software or access infrastructure, other than log in information or other data sharing mechanism.

Additional Comments: The Judiciary advises that it is not known if the clerks of the courts are considered a license issuing agency under the bill, as written. The agency advises

that business licenses are issued once a year during a limited period. In fiscal 2019, 78,433 business licenses were issued in the circuit courts.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Office of the Attorney General; Judiciary (Administrative Office of the Courts); Maryland Department of the Environment; Maryland Department of Health; Department of Natural Resources; Department of State Police; Maryland Department of Transportation; State Department of Assessments and Taxation; Department of Legislative Services

Fiscal Note History: First Reader - January 12, 2021
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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Licensing – Good Standing With the State Department of Assessments and Taxation – Requirement

BILL NUMBER: SB 106

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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 will not result in an economic impact.