

Department of Legislative Services
 Maryland General Assembly
 2022 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 852 (Delegate Saab, *et al.*)
 Economic Matters

Corporations and Associations - Annual Reports - Filing Fees

This bill alters the amount of filing fees that must be paid with the submission of an annual report to the State Department of Assessments and Taxation (SDAT). Specifically, the bill: (1) repeals the \$300 filing fee that is required for reports filed by a Maryland limited liability company (LLC), limited liability partnership (LLP), limited partnership, or of a foreign limited liability company, foreign limited liability partnership, or foreign limited partnership; (2) repeals the \$100 filing fee that is required for reports filed by specified family farms; and (3) reduces the filing fee from \$300 to \$150 for business entities that file the annual report electronically. **The bill takes effect July 1, 2022, and is applicable to annual reports due on or after April 15, 2023.**

Fiscal Summary

State Effect: General fund revenues decrease by \$53.1 million in FY 2023 and by \$60.2 million in FY 2027. Future year revenue losses reflect growth in the general fund revenue forecast. State expenditures are not affected.

(\$ in millions)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
GF Revenue	(\$53.1)	(\$55.2)	(\$57.0)	(\$58.9)	(\$60.2)
Expenditure	0	0	0	0	0
Net Effect	(\$53.1)	(\$55.2)	(\$57.0)	(\$58.9)	(\$60.2)

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

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

Current Law: Business entities in the State are required to file an annual report along with a reporting fee with SDAT by April 15, regardless of whether the business owns property, generates income, or has conducted business activity in the State during the preceding year. Failure to file the annual report may result in the business entity losing the right to conduct business in Maryland. **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

State Fiscal Effect: The bill reduces general fund filing fee revenue in three ways: (1) exempting certain LLCs and LLPs from paying the \$300 filing fee; (2) exempting family farms from paying the \$100 filing fee; and (3) lowering the filing fee to \$150 for certain business entities that file the annual report electronically. State revenues are projected to decrease by \$53.1 million in fiscal 2023 and by \$60.2 million in fiscal 2027. This estimate takes into account growth in the general fund revenue forecast.

Filing Fee Exemption for Limited Liability Companies and Limited Liability Partnerships

General fund revenues decrease by approximately \$47.0 million in fiscal 2023 for the filing fee exemption for specified LLCs and LLPs. This estimate is based on the current general fund revenue forecast and assumes that there are approximately 156,500 LLCs and LLPs that will be exempt under the bill.

Filing Fee Exemption for Family Farms

General fund revenues decrease by an additional \$51,200 in fiscal 2023 for the filing fee exemption for family farms. This estimate is based on the current general fund revenue

forecast and assumes that there are approximately 512 family farms that will be exempt under the bill.

Filing Fee Reduction for Electronic Filing

General fund revenues decrease by an additional \$6.1 million in fiscal 2023 and by \$8.4 million in fiscal 2027 for those business entities that opt to file the annual report electronically and pay the reduced fee. This estimate is based on the current general fund revenue forecast and assumes that 60% of business entities will file annual reports electronically in fiscal 2023. The percent of business entities filing electronically will increase to 75% by fiscal 2026.

Maryland Small Business Retirement Savings Program and Trust

The estimates also account for Chapters 323 and 324 of 2016 that established the Maryland Small Business Retirement Savings Program and Trust that requires specified private-sector employers to make the program available to their employees. The legislation waives the annual filing fee collected by SDAT for a corporation or business entity that participates in the program or otherwise offers a retirement savings arrangement for its employees. The Budget Reconciliation and Financing Act of 2019 delayed the implementation of the program until fiscal 2022; however, the Board of Revenue Estimates December 2021 forecast assumes that implementation of the program will begin July 1, 2022. As such, the current revenue forecast assumes that filing fee revenues will be reduced by approximately 35% beginning in fiscal 2023 as a result of businesses enrolling in the program. To the extent that variations occur in the number of business entities paying the filing fee each year, the effect on general fund revenues will vary accordingly.

Small Business Effect: All business entities formed, qualified, or registered to do business in Maryland are required to file an annual report with SDAT every year. This bill eliminates or reduces annual filing fees that some business entities are required to pay to maintain their “good standing” status with the State.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

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

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Analysis by: Michael Sanelli

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