

Department of Legislative Services

Maryland General Assembly

2000 Session

FISCAL NOTE**Revised**

House Bill 266 (Delegate Brown)

Economic Matters

Maryland Uniform Commercial Code - Bulk Transfers - Repeal

This bill repeals Title 6 of the Maryland Uniform Commercial Code (UCC), relating to bulk transfers. The bill retains the current bulk transfer law for bulk transfers of alcoholic beverages. The bill requires that notice of a bulk transfer be given to the Comptroller. The bill applies to bulk transfers made on or after October 1, 2000. Bulk transfers made before October 1, 2000 remain subject to the provisions of the UCC as though they had not been amended or repealed.

Fiscal Summary

State Effect: The bill would not directly affect governmental operations or finances.

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

Current Law: Title 6 of the UCC protects the creditors of the transferor in a bulk sale transfer. A bulk transfer is any transfer, not in the ordinary course of the transferor's business, of a major part of the materials, supplies, merchandise, or other inventory of an enterprise. Parties to a bulk transfer are required to prepare a schedule of the property to be transferred sufficient to identify it. The transferee is required to notify the Comptroller, all persons on a list of creditors provided by the transferee, and all other persons known to the transferee to hold or assert claims against the transferor. Priority on the proceeds of the bulk transfer goes first to the Comptroller and second to the transferor's other creditors, with the remainder going to the transferor. If the transferee does not withhold the amount due to the

Comptroller, the transferee is liable for the amount of the tax, interest, and penalties. The sales and use tax is levied on all the tangible personal property included in the bulk transfer.

Background: Thirty-eight states, including Delaware, Pennsylvania, and West Virginia, have repealed UCC Article 6. Four other states, including Virginia, and the District of Columbia have enacted revised versions.

Small Business Effect: Creditors currently have advance notice of a bulk transfer so that they may attach the proceeds from the sale if necessary. Small business creditors would have more difficulty collecting the debts owed to them. Small business parties to bulk transfer sales would benefit.

Additional Information

Prior Introductions: A substantially similar bill was introduced in 1998 as HB 151 and received an unfavorable report from the House Economic Matters Committee.

Cross File: None.

Information Source(s): Comptroller of the Treasury (Bureau of Revenue Estimates) Office of the Attorney General (Consumer Protection Division), National Conference of Commissioners on Uniform State Laws, Department of Legislative Services

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