

**Department of Legislative Services**  
 Maryland General Assembly  
 2005 Session

**FISCAL AND POLICY NOTE**  
**Revised**

House Bill 159 (Chairman, Economic Matters Committee)  
 (By Request – Departmental – Assessments and Taxation)

Economic Matters

Judicial Proceedings

**Business Entities - Recordation of Documents**

This departmental bill alters the provisions requiring the State Department of Assessments and Taxation (SDAT) to return the original document when one of several specified organizational documents has been filed by a corporation, limited liability company (LLC), foreign LLC, limited liability partnership (LLP), foreign LLP, limited partnership (LP), or foreign LP. Instead, the bill requires SDAT to send an acknowledgement stating the date and time that a document was accepted. The bill requires SDAT to return the original document unless the filer at the time of filing declines the return. The bill imposes a nonrefundable \$5 processing fee, credited to SDAT’s expedited processing fund, to return an original document. The bill also repeals the provision requiring SDAT to record without additional charge and return any previously unrecorded and unfiled charter documents of a Maryland corporation.

The bill takes effect July 1, 2005.

**Fiscal Summary**

**State Effect:** Special fund revenues could increase by approximately \$340,400 annually beginning in FY 2006. General fund expenditures by SDAT for postage could decrease by approximately \$3,700 annually beginning in FY 2006.

(in dollars)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
SF Revenue	\$340,400	\$340,400	\$340,400	\$340,400	\$340,400
GF Expenditure	(3,700)	(3,700)	(3,700)	(3,700)	(3,700)
Net Effect	\$344,100	\$344,100	\$344,100	\$344,100	\$344,100

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

**Local Effect:** None.

**Small Business Effect:** SDAT has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment. The attached assessment does not reflect amendments to the bill.

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## **Analysis**

**Current Law:** SDAT must return the original document when one of the following is filed or recorded: (1) a charter document or any document designating or changing the name or address of a resident agent or principal office of a Maryland corporation; (2) any articles, certificate, qualification, registration, change of resident agent or principal office, report, service of process or notice, or other document recorded or filed by an LLC; (3) an application for registration by a foreign LLC; (4) any certificates, qualification, registration, change of resident agent or principal office, report, service of process or notice, or other document recorded or filed by an LLP; (5) an application for registration by a foreign LLP; (6) any certificate, decree, qualification, registration, change of resident agent or principal office, report, service of process or notice, or other document filed or recorded by an LP; or an application for registration by a foreign LP.

SDAT charges an additional fee for the expedited processing of documents. Revenue from these fees is deposited into a fund, which is used to help pay costs associated with SDAT's charter document processing unit.

**Background:** Images of all documents filed or recorded by business entities since January 1, 2001 are available within 48 hours after filing or recordation at no charge on SDAT's Internet web site. SDAT advises that Maryland is one of only 11 states that return original business documents that have been filed or recorded. The other states are Idaho, Illinois, Iowa, Michigan, Minnesota, Nebraska, Pennsylvania, Rhode Island, Tennessee, and Wisconsin.

**State Expenditures:** The number of documents returned by SDAT varies from year to year. For example, during the last three fiscal years, SDAT has returned approximately 69,800, 77,000, and 80,100 documents, respectively. It is assumed that only 10% of filers would decline the return of an original document. Some documents would qualify for the \$0.37 postage rate for one-ounce letters, while others would qualify for the next higher rate of \$0.60. Based on the average number of returned documents for the last three years, general fund expenditures by SDAT for postage could decrease by approximately \$3,670 annually.

Special fund expenditures could increase in fiscal 2006 to the extent SDAT incurs reprogramming costs for its document processing computer system. Any such costs are assumed to be minimal.

**State Revenues:** The bill imposes a \$5 fee for the return of an original document. It is assumed that approximately 90% of document filers would wish to retain the original document filed and not decline the return of their documents. Therefore, special fund revenues could increase by \$340,350 annually beginning in fiscal 2006.

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### **Additional Information**

**Prior Introductions:** A similar bill, HB 536, was introduced during the 2004 session and 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, 2005  
mll/hlb Revised - House Third Reader - March 26, 2005

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