

Department of Legislative Services
 Maryland General Assembly
 2015 Session

FISCAL AND POLICY NOTE

House Bill 351 (Delegate Lafferty, *et al.*)
 Economic Matters

Corporations and Associations - Limited Liability Companies - Company Representative

This bill requires a limited liability company (LLC) to have a company representative who is an employee or member, as specified. The bill also requires the LLC to include the company representative’s name and street address in the articles of organization, cancellation, and reinstatement. A foreign LLC must include the name and address of its company representative on its application for registration to the State Department of Assessments and Taxation (SDAT).

The bill applies prospectively and may not be applied or interpreted to affect any LLC formed before the bill’s October 1, 2015 effective date.

Fiscal Summary

State Effect: Minimal increase in general fund revenues for SDAT in FY 2016 and subsequent years to account for the payment of a nonrefundable processing fee of \$25 for filing of required notices of change. General fund expenditures increase by \$15,000 in FY 2016 for SDAT to make one-time data processing and storage changes for its computers and the electronic Central Business Licensing System.

(in dollars)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
GF Revenue	-	-	-	-	-
GF Expenditure	\$15,000	\$0	\$0	\$0	\$0
Net Effect	(\$15,000)	\$0	\$0	\$0	\$0

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

Local Effect: The bill does not directly affect local government operations or finances.

Small Business Effect: Minimal.

Analysis

Bill Summary: The bill defines “company representative” as an individual who (1) is an employee or a member of an LLC; (2) has the authority to communicate with the public regarding the LLC; and (3) maintains a street address in the state where the LLC was formed.

The bill authorizes the LLC to designate or change its company representative, or the address of the company representative, by filing a specified statement with SDAT. The bill also authorizes a company representative who changes addresses in the State to notify SDAT of the change by filing a specified statement with SDAT. The designations or changes are effective upon acceptance by SDAT. A company representative may resign by filing a counterpart or photocopy of a signed resignation with SDAT.

Current Law: Each LLC must have a principal office in the State and a resident agent. An LLC may designate or change its resident agent or principal office by filing for record with SDAT an authorizing statement signed by an authorized person. An LLC may also change its resident agent’s address by filing for record with SDAT a statement of the change signed by an authorized person. Any such designation or change is effective upon acceptance of the statement for record by SDAT.

A resident agent who changes addresses in this State may notify SDAT of the change by filing for record with SDAT a statement of the change signed by or on behalf of the resident agent. The statement must include the name of the LLC, the resident agent’s old and new addresses, and the address change’s effective date. If the old and new addresses of the resident agent are the same as the old and new addresses of the principal office, the statement may also include the principal office’s address change if the resident agent notifies the LLC in writing and the statement specifies that the notice has been sent. The change is effective upon acceptance by SDAT. A resident agent may resign by filing with SDAT a counterpart or photocopy of the signed resignation. Unless a later time is specified in the resignation, the resignation is effective at the time it is filed with SDAT (if the LLC has more than one resident agent), or 10 days after it is filed with SDAT (if the LLC has only one resident agent).

Any notice of change of address for a resident agent filed with SDAT requires a \$25 nonrefundable processing fee, up to \$30,000 for a bulk filing. A notice of change of address for a principal office requires a \$25 nonrefundable processing fee. The filing of “any other documents” requires a nonrefundable processing fee of \$25.

Any articles of organization, cancellation, or reinstatement filed by an LLC must include the resident agent’s name and street address. Additionally, a foreign LLC must submit to

SDAT an application for registration containing the name and address of its resident agent in the State, among other information.

Background: According to the Office of the Attorney General’s and the Department of Business and Economic Development’s *Guide to Legal Aspects of Doing Business in Maryland*, an LLC is an unincorporated business organization with at least one “member”; members may be individuals, corporations, partnerships, or other LLCs. LLCs are taxed in a similar way and are similar in function to partnerships, but they offer the same liability protection for members as corporations do for stockholders. The LLC name must include the words “limited liability company,” or the abbreviation “L.L.C.,” “LLC,” “L.C.,” or “LC.” As of fiscal 2014, there were 35,256 domestic LLCs and 3,663 foreign LLCs on file with SDAT.

State Revenues: General fund revenues increase minimally for SDAT in fiscal 2016 and subsequent years to account for the payment of a nonrefundable processing fee of \$25 for LLC filing of notices of change to the company representative’s name or address (such notices would likely qualify as “any other document” under the existing fee statute so that the filing of these notices would be subject to the \$25 processing fee). The number of notices that may be filed with SDAT as a result of the bill’s requirements is unknown but is not expected to be significant.

State Expenditures: General fund expenditures increase by \$15,000 for SDAT in fiscal 2016 for SDAT to make one-time data processing and storage changes for its computers and the electronic Central Business Licensing System.

Additional Information

Prior Introductions: HB 268 of 2014, a similar bill, received an unfavorable report from the House Economic Matters Committee. Another similar bill, HB 881 of 2013, also received an unfavorable report from the House Economic Matters Committee.

Cross File: None.

Information Source(s): Office of the Attorney General, Department of Business and Economic Development, State Department of Assessments and Taxation, Department of Legislative Services

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min/kdm

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