

Department of Legislative Services
 Maryland General Assembly
 2016 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 201 (Delegate Lafferty)
 Economic Matters

**Corporations and Associations - Limited Liability Companies - Resident Agent
 and Company Representative**

This bill requires a limited liability company (LLC) to have a company representative, who is required to maintain a street address in the state where the LLC was formed. The bill also clarifies that the LLC must include the street address of its resident agent as well as the name and street address of its company representative in the articles of organization, cancellation, and reinstatement. Likewise, a foreign LLC must include the street address of its resident agent as well as the name and address of its company representative on its application for registration to the State Department of Assessments and Taxation (SDAT).

The bill takes effect June 1, 2016; it applies prospectively and may not be applied or interpreted to affect any LLC formed before that date.

Fiscal Summary

State Effect: No effect in FY 2016. Minimal increase in general fund revenues for SDAT in FY 2017 and subsequent years to account for the payment of a nonrefundable processing fee of \$25 for filing of required notices of changes. General fund expenditures increase by \$25,100 in FY 2017 to make one-time data processing and storage changes for SDAT computers and the electronic Central Licensing Business System.

(in dollars)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
GF Revenue	\$0	-	-	-	-
GF Expenditure	\$0	\$25,100	\$0	\$0	\$0
Net Effect	\$0	(\$25,100)	\$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) has the authority to communicate with the public regarding the LLC and (2) maintains a street address in the state where the LLC was formed.

The bill defines “resident agent” as an individual residing in the State of Maryland whose name, street address, and designation as a resident agent are filed or recorded with the department in accordance with the provisions of the Corporations and Associations Article.

The bill authorizes the LLC to designate or change its company representative, or the street address of the company representative, by filing a specified statement with SDAT. The bill also authorizes a company representative who changes street addresses 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 Maryland 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 date on which the change is effective. 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 address. Additionally, a foreign LLC must submit to SDAT an application for registration containing the name and address of its resident agent in Maryland, among other things.

Background: According to the Office of the Attorney General’s and the former 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 2017 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 \$25,140 in fiscal 2017 for SDAT to make one-time data processing and storage changes to its computers and the electronic Central Business Licensing System. Although the bill takes effect in fiscal 2016, the department advises it can absorb any expenditures associated with the legislation until the beginning of fiscal 2017.

Local Fiscal Impact: Baltimore City advises that implementation of the bill’s provisions could provide operational efficiencies when serving notice and process of sanitation, building code, and other real property-related violations of local code. The city would be able to identify and locate the “company representative” for an LLC much more readily. Montgomery County advises that the bill has no fiscal impact.

Additional Information

Prior Introductions: A similar bill, HB 351 of 2015, was withdrawn. Another similar bill, HB 268 of 2014, received an unfavorable report from the House Economic Matters Committee. HB 881 of 2013, a similar bill, also received an unfavorable report from the House Economic Matters Committee.

Cross File: None.

Information Source(s): Baltimore City, Montgomery County, Office of the Attorney General, Department of Commerce, State Department of Assessments and Taxation, Maryland Municipal League, Department of Legislative Services

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