

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 656

(Senator Jennings, *et al.*)

Judicial Proceedings

Economic Matters

Corporations and Associations - Fee for Processing Articles of Dissolution and
Certificates of Cancellation - Repeal

This bill repeals the \$100 nonrefundable processing fee that must be paid by business entities to the State Department of Assessments and Taxation (SDAT) for filing articles of dissolution and certificates of cancellation.

The bill takes effect July 1, 2017.

Fiscal Summary

State Effect: General fund revenues decrease by approximately \$1.4 million annually beginning in FY 2018. Expenditures are not affected.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: Business entities that file articles of dissolution and certificates of cancellation with SDAT must pay a \$100 nonrefundable processing fee.

Background: SDAT's Charter Unit is the central repository of all records for business entity formation and filings, such as charters, limited liability companies, partnerships, and trusts. The unit provides resident agent information for service of process on these entities and accepts service in certain instances on their behalf. It also records trade names and is the filing place for most financing statements under the Uniform Commercial Code. The

Charter Unit administers the State’s annual corporate filing fee, as well as other business transaction fees. Revenue collected is deposited into the State general fund.

State Fiscal Effect: General fund revenues decrease by approximately \$1.4 million annually beginning in fiscal 2018 from business entities no longer paying the \$100 fee. The estimate is based on the average number of articles of dissolution and certificates of cancellation that have been filed with SDAT’s charter unit, as shown in **Exhibit 1** and **Exhibit 2**.

Exhibit 1
Articles of Dissolution – Repeal of \$100 Fee

<u>Year</u>	<u>Number Filed</u>
2011	6,687
2012	6,852
2013	7,898
2014	8,309
2015	8,689
2016	7,457
Total	45,892
6-year Average of Filings	7,649
Dissolution Fee	\$100
General Fund Decrease	\$764,900

Source: State Department of Assessments and Taxation

Exhibit 2
Certificates of Cancellation – Repeal of \$100 Fee

<u>Year</u>	<u>Number Filed</u>
2014	5,591
2015	6,201
2016	6,251
Total	18,043
3-year Average of Filings	6,014
Cancellation Fee	\$100
General Fund Decrease	(\$601,400)

Source: State Department of Assessments and Taxation

Additional Comments: SDAT indicates that the \$100 filing fee may represent a significant burden on businesses that are ready to dissolve, many of which are closing for financial reasons. Because SDAT has no enforcement mechanism, many entities simply avoid filing articles of dissolution and instead force SDAT to commence a forfeiture process that can take as much as 20 months to conclude. In the meantime, the business may incur tax liabilities that it has no ability to pay, and local government may expend time and resources attempting to collect those taxes.

Additional Information

Prior Introductions: None.

Cross File: HB 714 (Delegate Clark, *et al.*) - Economic Matters.

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

Fiscal Note History: First Reader - February 15, 2017
mm/hlb Third Reader - March 30, 2017
Revised - Amendment(s) - March 30, 2017

Analysis by: Michael Sanelli

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