

Department of Legislative Services
Maryland General Assembly
2018 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 41

(Chair, Judicial Proceedings Committee)(By Request -
Departmental - Assessments and Taxation)

Judicial Proceedings

Economic Matters

Nonstock Corporations – Consolidations, Mergers, and Conversions

This departmental bill establishes that (1) a *Maryland* nonstock corporation may convert only into a foreign corporation that does not have authority to issue stock; (2) a foreign corporation that does not have authority to issue stock may convert into a Maryland nonstock corporation; and (3) a foreign corporation that does not have authority to issue stock may not convert into a Maryland corporation that has authority to issue stock. **The bill takes effect July 1, 2018.**

Fiscal Summary

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

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

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

Analysis

Current Law: A nonstock corporation may consolidate or merge only with another nonstock corporation. Additionally, Chapter 674 of 2017 establishes that a nonstock corporation may convert only into a foreign corporation that does not have the authority to issue stock. The conversion must be completed in accordance with requirements under Title 3 of the Corporations and Associations Article. Except as specified, a conversion of

a nonstock corporation organized to hold title to property for a labor organization, and for related purposes, must be approved by the same affirmative vote of the members of the corporation that the constitution or bylaws of the labor organization requires for the same action.

Background: SDAT advises that the bill is in response to Chapter 674 of 2017. According to SDAT, Chapter 674 effectively authorizes only *domestic* nonstock corporations to convert into *foreign* nonstock corporations, but does not specifically authorize *foreign* nonstock corporations to convert into *domestic* nonstock corporations.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - January 12, 2018
mag/kdm Third Reader - March 19, 2018
Revised - Amendment(s) - March 19, 2018

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Corporations and Associations – Foreign Nonstock Corporation Conversion

BILL NUMBER: SB 41

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PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

This proposed legislation would have a beneficial impact on small businesses in that it would allow certain foreign entities to convert into domestic entities.