

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 851
Ways and Means

(Delegate Forbes)

Finance

Human Services - Maryland Statewide Independent Living Council - Legal Status

This bill clarifies that the Maryland Statewide Independent Living Council (MSILC) is a tax-exempt body politic and corporate. **The bill takes effect July 1, 2026.**

Fiscal Summary

State Effect: None. The change is technical in nature and does not directly affect governmental finances.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law:

Maryland Statewide Independent Living Council

An executive order in 1993 formally created MSILC to work in conjunction with the Maryland State Division of Rehabilitation Services in submitting, monitoring, and evaluating the implementation of the State Plan for Independent Living (SPIL) and to carry out other duties as stipulated in the Federal Rehabilitation Act. To receive assistance under the Act, federal law requires that a state submit a SPIL, which must stipulate that the state will provide independent living services, directly and/or through grants and contracts, with federal, state, or other funds, and must describe how and to whom those funds will be

disbursed for this purpose. The Act also requires a state to establish and maintain an independent living council that meets specified requirements, including those related to the composition and appointment of members. The duties and authorities of MSILC are set forth in federal regulations.

Pursuant to federal requirements, MSILC must not be established as an entity within a State agency (including the designated State entity) and must be independent of and autonomous from the designated State entity and all other State agencies

Chapters 43 and 44 of 2023 generally codified MSILC as an instrumentality of the State. MSILC must (1) work in conjunction with Centers for Independent Living, defined as community-based organizations that are designed and operated by people with disabilities, in submitting, monitoring, implementing, and evaluating SPIL and (2) carry out other duties as required under State and federal law to support the implementation of SPIL.

A debt, claim, obligation, or liability of MSILC is not (1) a debt, claim, obligation, or liability of the State or (2) a pledge of the credit of the State. MSILC is exempt from State and local taxes.

State Oversight of Nonprofit Organizations

The Secretary of State (SOS) registers and oversees charitable organizations in the State and maintains an online database of registered entities. A charitable organization is a person that:

- is or holds itself out to be a benevolent, educational, eleemosynary, humane, patriotic, philanthropic, or religious organization; and
- either (1) solicits or receives charitable contributions from the public or (2) is an ambulance, firefighting, fraternal, rescue, or police or other law enforcement organization when it solicits charitable contributions from the public.

A charitable organization must register and receive a registration letter from SOS before it (1) solicits charitable contributions in the State; (2) has charitable contributions solicited on its behalf in the State; or (3) solicits charitable contributions outside the State if the organization is in the State. A registered charitable organization must submit an annual report to SOS, as specified.

Federal Tax-Exempt Status

Section 501(c)(3) of the Internal Revenue Code requires a nonprofit entity to be a separately organized entity, a corporation, trust, or association. The separately organized entity requirement is generally met if the organization is incorporated as a not-for-profit

entity under state corporation law. The organizational test may create a problem when an organization is created pursuant to a state statute, because the statute may contain neither the required exempt purpose language nor a standard dissolution clause.

A nonprofit entity may be created by state legislation that may authorize the creation of an organization as a “public body corporate and politic,” which typically implies a direct connection to government or a public, state-chartered, or public-purpose role.

Additional Comments: The following entities are distinguished as a tax-exempt body politic and corporate entity in the State in the Economic Development Article: Tri-County Council for the Lower Eastern Shore of Maryland, Tri-County Council for Southern Maryland, Tri-County Council for Western Maryland, Mid-Shore Regional Council, Upper Shore Regional Council, Regional Advanced Manufacturing Partnership of Maryland.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: SB 731 (Senator M. Washington) - Finance.

Information Source(s): Comptroller’s Office; Maryland Department of Disabilities; State Department of Assessments and Taxation; Department of Legislative Services

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