

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
Third Reader

Senate Bill 631

(Senators West and Waldstreicher)

Judicial Proceedings

Economic Matters

Corporations and Associations - Revisions

This bill alters various provisions of the Corporations and Associations Article, including those regarding (1) the date of acceptance of a charter document for record by the State Department of Assessments and Taxation (SDAT) when the document is rejected and resubmitted; (2) actions taken pursuant to a final order in a bankruptcy proceeding; (3) fines imposed on a foreign corporation not qualified or registered to do business in the State; and (4) limited partnership agreements.

Fiscal Summary

State Effect: SDAT can implement the bill with existing budgeted resources. The bill is not anticipated to materially affect revenues.

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

Small Business Effect: Potential meaningful.

Analysis

Bill Summary/Current Law:

State Department of Assessments and Taxation – Acceptance of a Document for Record

The bill specifies that if SDAT does not accept a charter document for record, SDAT must notify the person who filed the document of the rejection and the reason for the rejection. If a corrected charter document is refiled and accepted by SDAT for record within 30 days from the date of SDAT’s mailing of the notice of rejection, SDAT must accept for record the corrected charter document as of the date the rejected charter document was originally filed.

Under current law, generally, all charter documents are effective when accepted for recording or filing by SDAT. SDAT may not:

- accept for record any charter document of a Maryland corporation that does not conform with law; however, any document that purports to be acknowledged may be treated by SDAT as property acknowledged; and
- accept for record or filing any charter document, or other documents, as specified, until all required recording, filing, organization and capitalization, and other special fees have been paid to SDAT.

Regulations specify that a *resubmitted* document may retain the date that the document is first received by SDAT as the acceptance date if, at the program manager's discretion, the filer demonstrates good cause for that acceptance date. If SDAT incorrectly rejects a document, then the acceptance date must be the original date that the document is received by the department. This includes any document that is filed for recordation with SDAT by a foreign or domestic corporation, limited partnership, limited liability partnership, limited liability company, or other organization.

Action by the Board of Directors – Consent to Act Without a Meeting

Under current law, an action required or permitted to be taken at a meeting of the board of directors (or of a committee of the board) may be taken without a meeting if a unanimous consent which sets forth the action is (1) given in writing or by electronic transmission by each member of the board or committee entitled to vote on the matter and (2) filed in paper or electronic form with the minutes or proceedings of the board or committee.

The bill specifies that, unless the charter requires otherwise, any action required or permitted to be taken at a meeting of the board of directors or of a committee of the board of a corporation that is registered as an open-end investment company under the federal Investment Company Act of 1940 may be taken without a meeting if the consent of a majority of the entire board of directors or a majority of the directors serving on the committee (and in the manner and by the vote required under the federal Act) which sets forth the action is:

- given in writing or by electronic transmission by the directors who consent to the action;
- filed in paper or electronic form with the minutes or proceedings of the board or committee; and
- sent within three days after the effective date of the action to all directors or to all members of the committee.

A director who did not consent and receives notice may file a dissent to the action by sending a notice of dissent to the secretary of the corporation within 10 days of receipt of the notice, as specified.

Bankruptcy Proceeding – Actions Taken Regarding a Final Order

Under current law, if the final order a court makes a plan of reorganization binding on the stockholders of a corporation, the board of directors, trustee, or receiver, may take any action necessary to carry out the plan without any other corporate approval. The bill modifies and clarifies this provision by specifying that (1) the provisions are applicable if a final order for relief has been entered or is otherwise effective under federal bankruptcy law (instead of a plan of reorganization); (2) the permitted actions taken may include amending the charter, amending the bylaws, transferring assets, and dissolving the corporation; and (3) the actions may be taken without any action by the stockholders.

The bill adds provisions specifying that (1) a trustee or a receiver may take action authorized by the final order without the approval of the board of directors and (2) on entry of a final decree in the bankruptcy proceeding closing a case and discharging the trustee or the receiver, the necessary actions taken to carry out the final order (specified above) no longer apply to the corporation, and the validity of those actions taken prior to the closing and discharge are not affected.

Foreign Corporations – Fines for Failure to Register of Qualify

Under current law, each officer (and each agent) of a foreign corporation that does intrastate, interstate, or foreign business in the State without qualifying or registering as required under the Corporations and Associations Article is guilty of a misdemeanor and subject to a maximum fine of \$1,000. The bill repeals this offense.

Under current law, if a foreign corporation does any intrastate, interstate, or foreign business in the State without qualifying or registering as required under the Corporations and Associations Article, SDAT must impose a penalty of \$200 on the corporation, which may be reduced or abated under § 14-704 of the Tax-Property Article. This provision is unchanged by the bill.

Limited Partnership Agreements

The provisions of Title 9A (“Maryland Revised Uniform Partnership Act” (MRUPA)) of the Corporations and Associations Article apply to limited partnerships except to the extent that the provisions are inconsistent with or are modified by the provisions of Title 10 (“Maryland Revised Uniform Limited Partnership Act” (MRULPA)).

Under MRUPA, generally, relations among the partners and between the partners and the partnership are governed by the partnership agreement. To the extent the partnership agreement does not otherwise provide, MRUPA governs the relations of the partners and partnership. The bill includes that *the means and conditions for amending the partnership agreement* are also governed by the partnership agreement.

Under MRULPA, generally, a limited partnership agreement may (1) provide for classes or groups of limited partners having specified rights, powers, and duties and (2) grant to all or certain limited partners, or a specified class or group of limited partners, the right to vote on any matter, as specified, including establishing provisions related to procedures for voting.

The bill adds provisions to MRULPA specifying that (1) a limited partnership is bound by and may enforce a partnership agreement whether or not the limited partnership has itself assented to the agreement; (2) a person that becomes a partner is deemed to assent to the partnership agreement; (3) two or more persons intending to become the initial partners of a limited partnership may make an agreement that becomes the partnership agreement on formation of the limited partnership; (4) unless otherwise provided, the affirmative vote or consent of all the partners is required to amend the partnership agreement; and (5) the partnership agreement may specify certain requirements to amend the partnership agreement.

Small Business Effect: The bill may provide certainty for the formation of business entities by small businesses by requiring SDAT to accept a charter document for record on the date of the original filing for a rejected document that is resubmitted correctly, instead of relying on the program manager's discretion. Among other potential effects, the bill's provisions may facilitate the formation and amendment of limited partnership agreements.

Additional Comments: The bill implements recommendations of the Maryland State Bar Association, whose Committee on Corporation Law regularly reviews the Corporations and Associations Article.

Additional Information

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

Designated Cross File: HB 996 (Delegate Amprey) - Economic Matters.

Information Source(s): Judiciary (Administrative Office of the Courts); State Department of Assessments and Taxation; Department of Legislative Services

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