

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

Senate Bill 511 (Senator Baker)
Judicial Proceedings

Revised Uniform Partnership Act

This bill establishes the Revised Uniform Partnership Act. The bill includes provisions for (1) the formation of partnerships; (2) rules to govern the relations among partners in situations not addressed in a partnership agreement; (3) dissociation of partners; (4) mergers; and (5) limited liability partnerships.

The bill specifies how a partnership may register with the Department of Assessments and Taxation as a limited liability partnership wherein personal liability for specified taxes, including employer withholding taxes, is extended to individuals in the partnership in a manner consistent with the personal liability for limited liability companies.

Fiscal Summary

State Effect: Special fund revenues from filing fees could increase by \$11,250 in FY 1998, increasing 10% annually in future years. General fund revenues could also increase by an indeterminate amount from augmented tax collection ability. General fund expenditures could increase by \$81,250 in FY 1998, which reflects one-time start-up costs. Future year expenditures reflect minimal ongoing operating costs.

Local Effect: None.

Small Business Effect: Potential meaningful effect on small businesses as discussed below.

Fiscal Analysis

State Revenues: The bill establishes the Department of Assessments and Taxation as the central repository of filings by general partnerships that do business in the State, including the new limited liability partnerships. The department is authorized to collect a filing fee, and anticipates charging a fee of \$50 per filing. The department also estimates that 225 filings would be made in fiscal 1998 generating \$11,250 in special fund revenues. The number of filings is expected to grow by an annual rate of 10%.

The Office of the Comptroller reports that this bill would increase the ability of the State to collect some outstanding tax obligations by extending the personal liability of the partners in a limited liability partnership. That liability would be applicable to (1) admissions and amusement taxes; (2) employer withholding taxes; and (3) sales and use taxes.

It is not known how many limited liability partnerships currently exist on the tax files. Accordingly, the revenue impact of this increased collection ability cannot be quantified at this time. However, the amount of any potential tax revenue increase is dependent upon the frequency that payments would not have been made by a partnership, and the success rate of the State in collecting the outstanding debt from one or more of the partners.

State Expenditures: General fund expenditures would increase by \$81,250 in fiscal 1998 stemming from costs of the Department of Assessments and Taxation associated with the creation of a central repository for partnership filings. Of that amount, \$70,000 represents one-time start-up data processing costs.

In fiscal 1999 and beyond, yearly operating expenses for the department are estimated to be \$15,300, increasing by 2% annually. These costs are mainly due to annual data processing maintenance expenses of \$5,000 and continuing annual contractual assistance of \$9,500.

Small Business Effect: This could negatively impact partnerships since these businesses would be required to file with the Department of Assessments and Taxation and pay a filing fee. In addition, the personal liability of the partners in a limited liability partnership would be extended to be applicable to admissions and amusement taxes, employer withholding taxes, and sales and use taxes. It is not known how many limited liability partnerships currently exist on the tax files, so any specific impact cannot be determined at this time.

Information Source(s): Office of the Comptroller (Compliance Division), Department of Assessments and Taxation, Department of Fiscal Services

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