

Department of Legislative Services
 Maryland General Assembly
 2000 Session

FISCAL NOTE

House Bill 16 (Delegate Barve, *et al.*)
 Economic Matters

Corporate Charter Computerization and Administration Fund

This bill increases the maximum processing fee the Department of Assessments and Taxation (DAT) can charge for expedited requests for processing documents from \$30 to \$50. The bill directs the fees for expedited services to be deposited in a special fund to be used to fund the reviewing, auditing, and processing of documents filed with the department.

This bill is effective July 1, 2000.

Fiscal Summary

State Effect: General fund revenues and expenditures would decrease by \$1.6 million in FY 2001, and special fund revenues and expenditures could each increase by \$2.3 million. Out-year estimates reflect projected growth.

(in dollars)	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
GF Revenues	(\$1,600,000)	(\$1,632,000)	(\$1,664,600)	(\$1,698,000)	(\$1,732,000)
SF Revenues	2,266,000	2,356,600	2,450,900	2,549,000	2,651,000
GF Expend.	(1,600,000)	(1,632,000)	(1,664,600)	(1,698,000)	(1,732,000)
SF Expend.	1,600,000	1,632,000	1,664,600	1,698,000	1,732,000
Net Effect	\$666,000	\$724,600	\$786,300	\$851,000	\$919,000

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - =indeterminate effect

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: The fees DAT collects for expedited services are deposited to the general fund. DAT charges up to \$30 for processing any corporate documents on an expedited basis (same day fulfillment of request). The special fund that exists under current law is used exclusively for the 2.5% of recordation taxes the department retains. The proposed fiscal 2001 budget includes \$150,000 for this special fund.

Background: DAT is the State repository for various corporate and limited partnership documents. In the case of certain business activities such as incorporations, mergers, and dissolutions it is essential that the parties involved in the transaction be able to obtain copies of the pertinent documents, often in a very timely manner. Demand for these services has grown but departmental funding has remained fairly constant; consequently, a backlog has developed. DAT advises that part of the backlog problem is due to the lack of an updated computer imaging system. DAT has plans to upgrade its computer capabilities and to convert old documents to computer files from the new revenue generated under this bill. These planned expenditures total \$468,000.

State Fiscal Effect: General fund revenues will decrease by \$1.6 million in fiscal 2001 because the bill requires the \$1.6 million in fees expected to be collected in fiscal 2001 for processing documents on an expedited basis to go to a special fund. Based on current capacity factors, the general fund revenue decrease is estimated to grow by about 2% per annum in the out-years.

Conversely, special fund revenues will increase by \$2.3 million in fiscal 2001. This accounts for the \$1.6 million from the general fund plus an additional \$666,000 in revenue generated by the fee increase from \$30 to \$50 for the 33,300 requests affected by this bill. Based on prior year growth and increased capacity, out-year growth is estimated at 4%.

Special fund expenditures will increase by \$2.3 million. DAT plans equipment and operational upgrades totaling \$468,000 for fiscal 2001. DAT also intends to employ the necessary resources to clear its current backlog. DAT advises that the additional funds in the out-years will be used to implement whatever measures deemed necessary to meet the growth in demand for services.

Additional Comments: The Department of Assessments and Taxation anticipates that there will be a provision in a supplemental budget that will reduce the general fund appropriations by the current expedited fee receipts, contingent upon the passage of this bill.

Additional Information

Prior Introductions: Similar legislation was introduced during the 1999 session as HB 41; a hearing was held, but no action was taken by the Economic Matters Committee. Similar legislation was also introduced during the 1997 session as HB 460 and received an unfavorable report by the Economic Matters Committee.

Cross File: None.

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

Fiscal Note History: First Reader - January 28, 2000

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