

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE

House Bill 568
Judiciary

(Delegate Sophocleus, *et al.*)

Community Associations - Civil Liability

This bill adds community associations to the list of organizations covered by the Maryland Associations, Organizations, and Agents Act, which provides limits on liability of organizations that carry specified insurance minimums. The bill defines “community association” as a nonprofit entity that promotes social welfare and general civic improvement and is registered with the Secretary of State. The bill authorizes nonprofit entities that have been in existence for at least five years and promote social welfare and general civic improvement to register with the Secretary of State as a community association.

The bill applies prospectively only.

Fiscal Summary

State Effect: None. It is expected that any expenditures for the Office of the Secretary of State associated with maintaining a registry of community associations could be handled within existing resources.

Local Effect: This bill is not expected to have a direct impact on local finances.

Small Business Effect: Potential minimal. The bill limits the liability of nonprofit entities meeting the definition of a community association.

Analysis

Current Law: The Maryland Associations, Organizations, and Agents Act limits the liability of associations and organizations that carry insurance meeting specified minimums. It also provides that agents (directors, officers, trustees, employees, volunteers) of those nonprofit organizations cannot be held personally liable so long as their acts are made without malice or gross negligence. Liability is limited to the applicable limit of insurance coverage for acts or omissions made in the course of duties by the nonprofit entity or its agents.

For purposes of this Act, an association or organization means:

- an athletic club (a tax-exempt club operating exclusively for recreational purposes);
- a charitable organization (a tax-exempt organization under § 501(c)(3) of the Internal Revenue Code);
- a civil league or organization;
- a cooperative housing corporation;
- a council of unit owners of a condominium; or
- a homeowners' association.

Background: Community association is separately defined in the Real Property Article for purposes relating to nuisance actions.

Additional Information

Prior Introductions: A similar bill was introduced as HB 78 in 2000 and as HB 913 in 1999. HB 78 and HB 913 each received an unfavorable report from the Judiciary Committee.

Cross File: None.

Information Source(s): Secretary of State, Department of Legislative Services

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