

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

House Bill 716 (Delegate Miller, *et al.*)
Environmental Matters

Ethics - Financial Disclosure Statements - Interests in Corporations and Partnerships

This bill repeals a requirement under the Public Ethics Law that an individual include the following statements on the “Interests in Corporations and Partnerships” schedule of the annual financial disclosure statement: (1) with the exception of IRAs and Roth IRAs, any interest in a retirement plan or profit sharing plan that has more than 25 members; (2) any interest in a mutual fund; (3) any interest, or transfers of interest, in a publicly traded corporation unless the corporation is subject to the regulation or authority of the agency that employs the individual, or the interest involves a vendor or contractor with the agency, or the individual owns, or the interest transferred, is more than 1,000 shares or a 3% interest in the publicly traded corporation. The bill would also eliminate the requirement to include a publicly traded corporation’s address when disclosing all interests held in a publicly traded corporation as required under the Public Ethics Law.

Fiscal Summary

State Effect: None. The bill is procedural in nature and would not directly affect governmental finances.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: The Public Ethics Law requires an official and a candidate for office as a State official to file an annual financial disclosure statement which must include the following schedules:

- Interests in Real Property;
- Interests in Business Entities Doing Business with the State;
- Gifts;
- Employment or Interest in Business Entities Doing Business with the State;
- Indebtedness to an Entity Doing Business with the State;
- Family Members Employed by the State;
- Sources of Earned Income; and
- Additional Information.

The schedule for disclosure of interests in corporations and partnerships requires individuals to list each interest held in a corporation, partnership, limited liability company or limited liability partnership regardless of whether the entity does business with the State. For each such interest, the individual must disclose: (1) the name and address; (2) the nature and amount of the interest; (3) any encumbrances on the interest; and (4) for interests acquired during the applicable period, the date and manner of acquisition, identity of entity from which the interest was acquired, and the nature and amount of consideration given for the interest. If any interest was transferred during the applicable period, the individual must disclose the nature and amount of consideration received for the interest and the identity of the entity to which the interest was transferred.

Interests in a common trust fund or a trust that forms part of a pension or profit-sharing plan that has more than 25 participants and is determined to be a qualified trust under the section 401 and 501 of the Internal Revenue Code are excluded from the reporting requirement.

Background: The State Ethics Commission has identified several categories of information required on the schedule for disclosure of interests in corporations and partnerships that have become too onerous and provide the public with little insight into possible conflicts. The bill reflects the commission's recommendations in this regard. For example, the commission points out that the requirement under current law that individuals disclose interests in mutual funds is unnecessary since it is unlikely that any individual would have a sufficient interest in a mutual fund to create a conflict. To that end, the commission also suggests that all retirement and profit sharing plans with more than 25 members should be excluded as they are similar to the 401k and 501k plans that the law already excludes.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - March 1, 2004
mh/mdr

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