

**Department of Legislative Services**  
Maryland General Assembly  
2004 Session

**FISCAL AND POLICY NOTE**  
**Revised**

Senate Bill 779

(Senator Della)

Judicial Proceedings

**Corporations and Associations – Fees**

This bill increases several fees charged for filing documents with the State Department of Assessments and Taxation (SDAT).

**Fiscal Summary**

**State Effect:** General fund revenues could increase by approximately \$8.5 million annually beginning in FY 2005 from filing fees from nonstock corporations. Special fund revenues could increase by approximately \$7.5 million annually beginning in FY 2005 from expedited processing fees and manual certification fees under the bill. Special fund expenditures could increase by approximately \$8,000 to reprogram SDAT's charter document computer system.

(in dollars)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
GF Revenue	\$8,490,000	\$8,490,000	\$8,490,000	\$8,490,000	\$8,490,000
SF Revenue	7,454,400	7,454,400	7,454,400	7,454,400	7,454,400
SF Expenditure	8,000	0	0	0	0
Net Effect	\$15,936,400	\$15,944,400	\$15,944,400	\$15,944,400	\$15,944,400

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

**Local Effect:** None.

**Small Business Effect:** Minimal.

**Analysis**

**Bill Summary:** The bill repeals the exemption for a nonstock corporation from the \$300 fee charged for filing the corporation's annual report.

The bill imposes the expedited processing fee each time a document is submitted for filing and specifies that it is also for review of the document.

The bill raises the expedited processing fees as follows: (1) from \$50 to \$200 for recording a document; (2) from \$20 to \$30 for certificates of status of a corporation, partnership, limited partnership (LP), limited liability partnership (LLP), limited liability company (LLC), or a name reservation; and (3) from \$20 to \$30 for a copy of any document recorded or filed with SDAT, or a corporate abstract. The bill imposes an expedited processing fee of \$50 on the preclearance of any document, except financing statements.

The bill imposes a fee for a manual assessment of a business entity's annual report for which a filing fee is required. The fee is: (1) \$50 for the first two annual reports for a business entity; and (2) \$20 for each additional annual report requested for the business entity. These fees are credited to the expedited processing fund.

**Current Law:** Nonstock corporations are exempt from the \$300 fee imposed on the filing of an annual report of a Maryland or foreign corporation. No fee is charged for manual assessment of a business entity's annual report.

The expedited processing fee is \$50 for recording any document, including financing statements, with SDAT or for a document relating to the redemption of a ground rent. The expedited processing fee is \$20 for: (1) a certificate of status of a corporation, partnership, LP, LLP, or LLC; (2) a name reservation; (3) a copy of any document recorded or filed with SDAT; or (4) a corporate abstract. These fees are charged only once. SDAT retains the fees received for expedited processing of documents filed in a special fund. Money in the fund helps to pay the budget for SDAT's charter division, which accepts corporate and other filings.

**Background:** The Budget Reconciliation and Financing Act of 2003 increased various fees for filing or recordation of documents with SDAT. Among the increases, a corporation's annual report filing fee was increased from \$100 to \$300. Expedited processing fees were increased as follows: (1) for recording a document, from \$30 to \$50; and (2) for a certificate of status, from \$9 to \$20. The \$300 fee for filing an annual report was also imposed on annual reports of a partnership, LP, LLP, or LLC, whereas before no fee was required for filing these documents.

**State Revenues:** SDAT receives annual reports from approximately 1,300 foreign nonstock corporations and approximately 27,000 Maryland nonstock corporations, including many condominiums, homeowners associations, and churches. Each of these would be subject to the \$300 filing fee for its annual report. General fund revenues would increase by approximately \$8.49 million annually from this fee.

SDAT charges an expedited processing fee on approximately 95,000 documents annually. Of these, approximately 44,000 are of the type being raised from \$50 to \$200 under the bill. The remaining 51,000 documents are of the types being raised from \$20 to \$30 under the bill. Special fund revenues would increase by approximately \$7.1 million from these fees.

Approximately 750 documents submitted for expedited processing are resubmitted because of defects. Of those, approximately 46% would be at the \$200 level, and the remainder would be at the \$30 level. Approximately 20% of the resubmitted documents subject to the each of the expedited processing fees are resubmitted a second time to SDAT. Special fund revenues would increase by approximately \$97,400 from imposing the expedited processing fee on resubmissions.

SDAT pre-certifies (or reviews) approximately 500 documents from corporations that would be subject to the \$200 expedited processing fee. Special fund revenues would increase by approximately \$100,000 from imposing the expedited processing fee on these pre-certifications.

SDAT advises that it does not perform manual assessments of annual reports filed but instead performs manual certification of property tax assessments on personal property listed in the report. SDAT performs approximately 4,200 manual certifications annually. Of these, approximately 2,100 would be subject to the \$50 fee, and 2,100 would be subject to the \$20 fee. Special fund revenues would increase by approximately \$147,000 from these fees.

**State Expenditures:** SDAT advises that it would be required to reprogram the charter division's computer system to accommodate the bill's changes to its fee structure. Special fund expenditures for contractual services to reprogram the computer system could be approximately \$8,000 in fiscal 2005.

The Department of Legislative Services advises that if other legislation is passed requiring computer reprogramming changes, economies of scale could be realized. This would reduce the costs associated with this bill and other legislation affecting SDAT's charter division.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - March 23, 2004  
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