

Department of Legislative Services
 Maryland General Assembly
 2006 Session

FISCAL AND POLICY NOTE

House Bill 1084 (Delegate Quinter)
 Economic Matters

Corporations and Associations - Annual Reports of Maryland Corporations - Filing Fees

This bill alters the fee for filing annual reports with the State Department of Assessments and Taxation (SDAT) for Maryland stock corporations. For corporations with assets valued at less than \$10,000, the fee is \$100. For corporations with assets valued at \$10,000 or more, the fee is \$500.

The bill applies to annual reports filed after December 31, 2006.

Fiscal Summary

State Effect: General fund revenues would decrease by approximately \$8.37 million annually beginning in FY 2007. Expenditures would not be affected.

| (\$ in millions) | FY 2007 | FY 2008 | FY 2009 | FY 2010 | FY 2011 |
|------------------|----------|----------|----------|----------|----------|
| GF Revenue | (\$8.37) | (\$8.37) | (\$8.37) | (\$8.37) | (\$8.37) |
| Expenditure | \$0 | \$0 | \$0 | \$0 | \$0 |
| Net Effect | (\$8.37) | (\$8.37) | (\$8.37) | (\$8.37) | (\$8.37) |

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

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: Corporations and other business entities are required to file their annual reports with SDAT. The filing fee for the annual report of a Maryland stock corporation is \$300.

Background: The Budget Reconciliation and Financing Act of 2003 (Chapter 203) raised the fees that business entities are required to pay with their annual reports filed with SDAT. For Maryland and foreign corporations and specified financial institutions, the fee increased from \$100 to \$300. For a real estate investment trust, the annual filing fee increases from \$25 to \$300. Chapter 203 also imposed a \$300 fee for the annual filing of a Maryland or foreign limited liability company, limited liability partnership, or limited partnership.

State Revenues: As of the December 2005 reporting period, there were 98,466 domestic corporations in the State. Of those, 33,746 had a personal property tax assessment of \$0, and 36,411 had a personal property tax assessment of more than \$0 but less than \$10,000. Under the bill, general fund revenues would decrease by \$200 for each of these 70,157 corporations. General fund revenues would increase from filing fees for the 28,309 corporations with an assessment of more than \$10,000. **Exhibit 1** shows the revenue losses and gains. The total revenue loss would be approximately \$8.37 million annually beginning in fiscal 2007.

Exhibit 1 Corporate Filing Fee Revenue by Assessment Level

| <u>Assessment Level</u> | <u>Number of Entities</u> | <u>Fee</u> | <u>Revenue Loss/Gain</u> |
|-------------------------|---------------------------|------------|--------------------------|
| < \$10,000 | 70,157 | \$100 | (\$14,031,400) |
| \$10,000 or More | 28,309 | \$500 | 5,661,800 |
| Totals | 98,466 | | (\$8,369,600) |

Source: State Department of Assessments and Taxation

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 - February 26, 2006
ncs/hlb

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