

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

Senate Bill 67

(Chair, Judicial Proceedings Committee)(By Request -
Departmental - Assessments and Taxation)

Judicial Proceedings

Economic Matters

Corporations and Associations - Proof of Good Standing for Foreign Business
Entities

This departmental bill requires foreign limited liability companies (LLC), corporations, limited liability partnerships (LLP), and limited partnerships (LP) to provide the State Department of Assessments and Taxation (SDAT) with proof of good standing from the entity's home jurisdiction prior to conducting business in the State.

Fiscal Summary

State Effect: The bill does not directly affect State finances or operations.

Local Effect: The bill does not directly affect local finances or operations.

Small Business Effect: SDAT has determined that this bill has minimal or no economic impact on small business (attached). Legislative Services concurs with this assessment.

Analysis

Current Law: Foreign LLCs, LLPs, LPs, and corporations must file an application with SDAT before conducting any interstate, intrastate, or foreign business within Maryland. As shown in **Exhibit 1**, the application requirements for foreign LLCs and LLPs are identical, while the information that foreign corporations and LPs must provide to SDAT differ slightly.

Exhibit 1

SDAT Application for Registration – Foreign Business Entity Requirements

<u>Requirement</u>	<u>Foreign LLC</u>	<u>Foreign LLP</u>	<u>Foreign Corp.</u>	<u>Foreign LP</u>
Existing legal name and proposed trade name if different	✓	✓		✓
Register or qualify with SDAT and certify its address			✓	
State or country where formed and date of formation	✓	✓		✓
A general description of its business	✓	✓		✓
Name and address of Maryland resident agent	✓	✓	✓	✓
Statement that SDAT is appointed resident agent if one has not been appointed, its authority has been revoked, or the agent cannot be found and served	✓	✓		✓
Address of principal office or office maintained in the state of organization	✓	✓		✓
Name and business, residence, or mailing address of each general partner				✓

Source: Laws of Maryland

Background: In the past, SDAT required foreign entities to provide proof of good standing prior to conducting business in the State; however, the requirement was eliminated to reduce document processing time. By not requiring out-of-state businesses to provide proof of compliance with their home jurisdiction's laws, foreign entities that are not in good standing in their home state could nevertheless obtain good standing in Maryland.

The fees associated with obtaining a certificate of good standing vary by state but typically cost between \$20 and \$40. As shown in **Exhibit 2**, at least 4,000 foreign business entities registered with SDAT prior to conducting business in Maryland in each of the past four fiscal years.

Exhibit 2

**Number of Foreign Business Entities Registered with SDAT
Prior to Conducting Business in the State
Fiscal 2005-2008**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Number	4,138	4,252	4,014	4,177

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): State Department of Assessments and Taxation, Office of the Attorney General (Consumer Protection Division), Department of Legislative Services

Fiscal Note History: First Reader - January 20, 2009
ncs/ljm

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Corporations and Associations – Proof of Good Standing for Foreign Business Entities

BILL NUMBER: SB 67

PREPARED BY: State Department of Assessments and Taxation

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

The proposed legislation will have no impact on small business in Maryland.