

Department of Legislative Services
 Maryland General Assembly
 2016 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 135 (Delegates Atterbary and Turner)
 Economic Matters

Annual Reports and Personal Property Reports - Fees, Exemption, and Affidavit

This bill alters the fee that specified business entities must pay for filing a required annual report with the State Department of Assessments and Taxation (SDAT). The bill exempts a person who did not own specified property during the preceding calendar year from submitting a report on personal property, but it requires the person to submit an affidavit to SDAT attesting that the person has no tax liability for the taxable period. The bill also authorizes a person who has filed the specified affidavit with SDAT to file an amended report within three years under specified circumstances.

The bill applies only prospectively and may not be applied or interpreted to have any effect on or application to any annual reports or personal property reports submitted before the bill’s October 1, 2016 effective date.

Fiscal Summary

State Effect: General fund revenues decrease by *at least* \$33.6 million beginning in FY 2017 due to decreased filing fee revenues for annual reports, assuming the number of annual report returns remains constant in future fiscal years and filings are made throughout the year. General fund revenues decrease by \$44.8 million in subsequent years due to annualization, assuming the number of properties subject to reduced fees remains constant. Expenditures are not affected.

(\$ in millions)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
GF Revenue	(\$33.6)	(\$44.8)	(\$44.8)	(\$44.8)	(\$44.8)
Expenditure	0	0	0	0	0
Net Effect	(\$33.6)	(\$44.8)	(\$44.8)	(\$44.8)	(\$44.8)

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 establishes three tiers of filing fees based on the amount of the assessed value of a business entity's personal property in the preceding calendar year:

- if a business entity did not own personal property that is subject to property tax, the filing fee is \$75;
- if a business entity owned personal property that is subject to property tax with an assessed value of \$10,000 or less, the filing fee is \$150; and
- if a business entity owned personal property that is subject to property tax with an assessed value greater than \$10,000, the filing fee remains \$300.

In addition, for each annual report of a family farm that is filed but not recorded, if during the preceding calendar year the family farm to which the annual report relates did not own personal property that is subject to property tax, the filing fee is \$75. If the family farm owned personal property that is subject to property tax, the filing fee remains \$100.

If a specified person did not own property subject to property tax in the preceding calendar year, that person is not required to file a report on personal property to SDAT but must submit to SDAT an affidavit, on or before April 15, attesting that the person has no tax liability for the taxable period. The affidavit may be submitted electronically to SDAT. The bill also establishes that a person who files an affidavit may file an amended report within three years after the April 15 deadline, if the person determines that information was not reported accurately in the original affidavit.

Current Law: Under current law, for each of the following documents, which are filed but not recorded, the filing fee is \$300:

- annual report of a Maryland corporation, except a charitable or benevolent institution, nonstock corporation, savings and loan corporation, credit union, family farm, and banking institution;

- annual report of a foreign corporation subject to the jurisdiction of Maryland, except a national banking association, savings and loan association, credit union, nonstock corporation, and charitable and benevolent institution;
- annual report of a Maryland savings and loan association, banking institution, or credit union or of a foreign savings and loan association, national banking association, or credit union that is subject to the jurisdiction of Maryland;
- annual report of a Maryland limited liability company, limited liability partnership, or limited partnership, or of a foreign limited liability company, foreign limited liability partnership, or foreign limited partnership, except a family farm;
- annual report of a business trust; and
- annual report of a real estate investment trust or foreign statutory trust doing business in Maryland.

In addition, the filing fee for the annual report of a family farm is \$100.

On or before April 15 of each year, a person must submit a report on personal property to SDAT if:

- the person is a business trust, statutory trust, domestic corporation, limited liability company, limited liability partnership, or limited partnership;
- the person is a foreign corporation, foreign statutory trust, foreign limited liability company, foreign limited liability partnership, or foreign limited partnership registered or qualified to do business in the State; or
- the person owns, or during the preceding calendar year owned, property that is subject to property tax.

The report must (1) be in the form the department requires; (2) be under oath as the department requires; and (3) contain the information that the department requires.

State Revenues: General fund revenues decline by *at least* \$33,605,587 in fiscal 2017, accounting for the bill's October 1, 2016 effective date, and assuming that the number of properties subject to filing fees remains constant and that the filings are made throughout the year. To the extent that most filings are instead made between January 1 and April 15, rather than throughout the year, the revenue loss in fiscal 2017 is greater. The general fund

revenue loss on an annual basis is \$44,807,450. The assumptions used to determine the fiscal impact are discussed below.

SDAT advises that there were 305,894 personal property report returns in fiscal 2015, all of which paid a filing fee of \$300. Thus, total general fund revenue from personal property report filing fees was \$91,768,200 (305,894 x \$300) in fiscal 2015.

The bill reduces filing fees for specified business entities that did not own personal property, as well as for business entities that owned personal property with an assessed value of \$10,000 or less. SDAT advises that there were 188,639 personal property reports in fiscal 2015 that were not subject to property tax. In fiscal 2015, those business entities paid \$56,591,700 in filing fees (188,639 x \$300). Under the bill, general fund revenues are reduced by at least \$31,832,831 in fiscal 2017. The annualized general fund revenue loss is \$42,443,775.

SDAT further advises that there were 15,749 business entities in fiscal 2015 subject to property tax with an assessed value between \$0 and \$10,000. In fiscal 2015, those business entities paid \$4,724,700 in annual report filing fees (15,749 x \$300). Under the bill, general fund revenues are reduced by at least \$1,772,762, accounting for the bill's effective date. The annualized general fund revenue loss is \$2,362,350.

SDAT also advises that there were 101,506 business entities in fiscal 2015 that owned personal property subject to property tax with an assessed value greater than \$10,000. Annual report filing fees for such business entities remain at \$300 under the bill; therefore, filing fee revenues for those entities are not affected.

The bill also changes filing fees for specified family farms (currently \$100). For family farms that did not own personal property subject to property tax, the bill reduces the filing fee to \$75. For family farms that owned personal property subject to property tax, the filing fee remains \$100. SDAT advises the total number of family farms is approximately 557 and advises that 53 family farms do not own personal property subject to property tax. General fund revenues in fiscal 2017 are reduced by at least \$994. In subsequent years, the general fund revenue loss is \$1,325.

Exhibit 1 shows the projected fiscal impact of the bill on property report fee revenues compared to revenue attainment under current law.

Exhibit 1
Property Report Fees Affected by the Bill

Type of Property Report	Properties Affected	Current Fee	Current Annual Revenues	Fee Under the Bill	Partial Year (FY 2017) Estimated Revenues*	Annualized Estimated Revenues
Personal Property Exempt	188,639	\$300	\$56,591,700	\$75	\$24,758,869	\$14,147,925
Assessed Personal Property Value ≤ \$10,000	15,749	\$300	\$4,724,700	\$150	\$2,952,938	\$2,362,350
Family Farms Exempt	53	\$100	\$5,300	\$75	\$4,306	\$3,975
Total Revenues Attained			\$61,321,700		\$27,716,113	\$16,514,250
Impact on General Fund Revenues					(\$33,605,587)	(\$44,807,450)

*Assumes filings are made throughout the year. The impact is greater if most filings are made after October 1 (such as during the period from January 1 through April 15).

Source: State Department of Assessments and Taxation; Department of Legislative Services

Additional Information

Prior Introductions: HB 651 of 2015, a similar bill, was withdrawn.

Cross File: None.

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

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