

SENATE BILL 1127

P2

8lr3397

By: **Senators Hershey and Ready**

Introduced and read first time: February 16, 2018

Assigned to: Rules

A BILL ENTITLED

1 AN ACT concerning

2 **Procurement Contracts – Disclosures to Secretary of State – Beneficial**
3 **Ownership**

4 FOR the purpose of altering the definition of “beneficial ownership” for the purposes of
5 certain disclosures made by certain businesses to the Secretary of State under
6 certain circumstances; and generally relating to beneficial ownership and
7 procurement contracts.

8 BY repealing and reenacting, with amendments,

9 Article – State Finance and Procurement

10 Section 13–221

11 Annotated Code of Maryland

12 (2015 Replacement Volume and 2017 Supplement)

13 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,

14 That the Laws of Maryland read as follows:

15 **Article – State Finance and Procurement**

16 13–221.

17 (a) The provisions of this section are broadly applicable and apply to all contracts,
18 leases, or other agreements entered into by the State.

19 (b) (1) In this section, “beneficial ownership” means:

20 (i) any ownership interest of [5%] **25%** or more in a business **OR**
21 **TRUST;**

22 (ii) any ownership interest of [5%] **25%** or more in 1 or more entities

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 in a chain of parent and subsidiary entities, any 1 of which participates in at least [5%]
2 **25%** of the capital or profits of a business **OR TRUST**; [or]

3 (iii) possession of an interest that exists under an agreement,
4 contract, relationship, understanding, or other arrangement and entitles a person to
5 benefits substantially equivalent to an ownership interest of [5%] **25%** or more of a
6 business **OR TRUST**; **OR**

7 **(IV) ANY OWNERSHIP INTEREST WITH SIGNIFICANT**
8 **RESPONSIBILITY TO CONTROL, MANAGE, OR DIRECT A BUSINESS OR TRUST,**
9 **INCLUDING ACTING AS AN EXECUTIVE OFFICER OR A SENIOR MANAGER.**

10 (2) In this section, unless there are special circumstances, an individual is
11 deemed to hold an ownership interest that is held by the individual's spouse, the
12 individual's child, or other relative of the individual who lives in the individual's home.

13 (c) (1) If, during a calendar year, a business enters into contracts, leases, or
14 other agreements, with the State or its units or both, under which the business is to receive
15 from the State or its units or both a total of \$200,000 or more, the business shall file with
16 the Secretary of State a list that contains the name and address of:

17 (i) any resident agent of the business;

18 (ii) each officer of the business; and

19 (iii) if known, each person who has beneficial ownership of the
20 business.

21 (2) The list shall be filed within 30 days of the date when the total value of
22 the contracts, leases, or other agreements entered into during the calendar year reaches
23 \$200,000.

24 (3) If a person who has beneficial ownership is unknown to the business, it
25 is sufficient for the business to disclose the legal ownership or the identity of the nominee
26 who holds title for the unknown person.

27 (d) A business or an officer of a business who violates any provision of this section
28 is guilty of a misdemeanor and on conviction is subject to a fine not exceeding \$10,000.

29 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
30 October 1, 2018.