

Department of Legislative Services
Maryland General Assembly
2019 Session

FISCAL AND POLICY NOTE
Third Reader

Senate Bill 26

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

Judicial Proceedings

Economic Matters

State Department of Assessments and Taxation - Expedited Document Processing

This departmental bill authorizes the State Department of Assessments and Taxation (SDAT) to adopt regulations establishing expedited document processing tiers or additional methods of expedited document processing. The department is authorized to charge reasonable fees for these services.

Fiscal Summary

State Effect: The impact on special fund revenues depends on the expedited document processing tiers established by regulation. To the extent that more documents are filed online, special fund revenues and expenditures may decrease.

Local Effect: None.

Small Business Effect: SDAT has determined that this bill has a meaningful impact on small business (attached). The Department of Legislative Services (DLS) disagrees with this assessment as discussed below.

Analysis

Current Law: SDAT currently has three options for processing documents: general processing and two forms of expedited processing. For documents to be processed within two hours of receipt, the department charges \$425 per document. For documents to be processed on an expedited basis (processed within seven days), the department charges between \$20 to \$50 per document. For documents to be processed on a general nonexpedited basis (processed within four weeks), the department does not impose an expedited fee.

Background: SDAT indicates that the bill will provide greater flexibility to process documents in an expedited manner and will better align provided services with the associated processing costs. The bill will also enable the department to modernize its document processing procedures by having more documents filed online. Increased online document filing may result in actual cost savings related to document processing since processing a paper filing costs between four and seven times more than processing an electronic filing.

Practices in Other States

SDAT indicates that Delaware currently has five different levels of expedited document processing, ranging from 30 minutes to 24 hours. Fees for processing these documents range from \$50 to \$7,500 per document. Nonexpedited processing can take up to three or four weeks. California has three levels of expedited document processing ranging from 6 to 24 hours; fees range from \$350 to \$1,000 per document. Nonexpedited processing can take up to two weeks.

SDAT Charter Unit

SDAT's charter unit is the central repository of all records for business entity formation and filings, such as charters, limited liability companies, partnerships, and trusts. The charter unit provides resident agent information for service of process on these entities and accepts service in certain instances on their behalf. The charter unit also records trade names and is the filing place for most financing statements under the Uniform Commercial Code. Fees that are collected from expedited document processing are special fund revenues which fund the operation for the Charter Unit. The fiscal 2020 State budget included \$6.5 million in expedited document processing fees and \$6.5 million in special fund expenditures for the Charter Unit.

State Fiscal Effect: Special fund revenues may be affected depending on the expedited document processing tiers and fees established by regulation. The department intends to meet with various stakeholders, including the Maryland Bar Association, the Greater Baltimore Committee, and various Chambers of Commerce, before promulgating regulations on new document processing tiers and associated fees. To the extent that more documents are filed and processed online, the department may realize cost savings related to document processing beginning in fiscal 2020. This will in turn reduce special fund revenues and expenditures.

Small Business Effect: While DLS generally concurs that the bill will have a positive impact on small businesses in terms of increased business efficiency, DLS estimates that the bill will have a minimal overall impact on small business revenues and expenditures.

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 - January 18, 2019
sd/hlb Third Reader - February 7, 2019

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Corporations and Associations – Tiered Expedited Filings

BILL NUMBER: SB0026

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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

Beneficial, since small business owners would have more options for SDAT's services.