

**Department of Legislative Services**  
Maryland General Assembly  
2020 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

House Bill 1393  
Economic Matters

(Delegates Mautz and Sample-Hughes)

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**Corporations and Associations - Filing Fee - Annual Report of a Low-Income  
Limited Liability Company**

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This bill reduces the annual corporate filing fee (from \$300 to \$100) for a Maryland limited liability company with an annual income of less than \$1,000.

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**Fiscal Summary**

**State Effect:** General fund revenues decrease beginning in FY 2021. The amount of the revenue decrease depends on the number of business entities that qualify for the reduced corporate filing fee. Special fund expenditures for the State Department of Assessments and Taxation (SDAT) may increase depending on the number of business entities that qualify for the reduced corporate filing fee.

**Local Effect:** None.

**Small Business Effect:** Minimal.

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**Analysis**

**Current Law/Background:** In Maryland, there is a tax on business-owned personal property that is imposed and collected by local governments. Personal property generally includes business property including furniture, fixtures, office and industrial equipment, machinery, tools, supplies, inventory, and any other property not classified as real property. To provide for uniform assessments, SDAT is responsible for assessing all personal property. Each county or municipal government is responsible for issuing the tax bills and collecting the tax. The tax year begins on July 1 and ends on June 30. The personal property

tax has been a local tax exclusively since 1984 when the State tax rate on personal property was set at zero.

At the beginning of each calendar year, SDAT notifies business entities on record that a personal property tax return must be filed by April 15. This tax return must include personal property located in Maryland as of January 1, the date of finality. The “date of finality” is the date used to determine ownership, location, value, and liability for tax purposes. Since 2017, all tax returns have been filed electronically. An annual report fee is required to be paid to SDAT with the personal property tax return. The annual report fee is for the privilege of maintaining the legal entity’s existence in the State. **Exhibit 1** identifies the amount of the report fee that each legal entity is required to pay.

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**Exhibit 1**  
**Annual Reporting Fee Requirement**

<u>Business Entity</u>	<u>Fee</u>	<u>Business Entity</u>	<u>Fee</u>
Stock Corp	\$300	Domestic Statutory Trust	\$300
NonStock Corp	0	Foreign Statutory Trust	300
Foreign Insurance Corp	300	Real Estate Investment Trust	300
Foreign Interstate Corp	0	Certified Family Farm	100
Limited Liability Company	300	Sole Proprietorship	0
Limited Liability Partnership	300	General Partnership	0
Limited Partnership	300	Amended Return	0

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**State Revenues:** General fund revenues decrease beginning in fiscal 2021. The amount of the revenue decrease depends on the number of business entities that qualify for the reduced corporate filing fee.

SDAT advises that it does not currently track business income on the annual report form which will be necessary to determine an entity’s eligibility for the reduced corporate filing fee proposed by the bill. The department received a total of 247,464 annual reports in fiscal 2020. It is unknown how many of the reports were from limited liability companies with annual income of less than \$1,000. If, *for illustrative purposes only*, 1% of these filings were eligible for the reduced filing fee, general fund revenues would decrease by approximately \$495,000 annually.

**State Expenditures:** SDAT advises that the department will have to hire one charter specialist and one administrative aide to review applications for the reduced filing fee, track compliance, answer customer inquiries regarding the reduced fee, and assist in tracking any fee related information and documents as the department receives them. SDAT

estimates that special fund expenditures for the charter unit would increase by \$101,200 in fiscal 2021 and by \$129,100 in fiscal 2025.

The Department of Legislative Services advises that until the actual number of business entities that qualify for the reduced filing fee is known, SDAT can likely handle any additional workload with existing budgeted resources. To the extent the additional number of reduced filing fee requests becomes unmanageable with existing staff, the department can seek additional personnel through a deficiency appropriation for fiscal 2021 or during the annual budget process for fiscal 2022.

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### **Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** None.

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

**Fiscal Note History:** First Reader - February 28, 2020  
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