

Department of Legislative Services
Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 204
Economic Matters

(Delegate Qi, *et al.*)

Budget and Taxation

Corporations and Associations - Filing Fee Study

This bill requires the State Department of Assessments and Taxation (SDAT), by January 1, 2021, to (1) review the filing fees and associated requirements of neighboring states that are equivalent or substantially similar to filing fees in Maryland and (2) report recommendations to the General Assembly that would make Maryland more competitive with neighboring states, including whether to establish less frequent filing requirements, decrease fees, or establish a sliding fee scale.

Fiscal Summary

State Effect: None. SDAT can handle the bill's reporting requirements with existing budgeted resources.

Local Effect: None.

Small Business Effect: None.

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.

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

Surrounding States

Among surrounding states, the District of Columbia requires for profit business entities to pay a \$300 fee to file a biennial report; nonprofit business entities pay an \$80 fee. In New Jersey, most for profit business entities pay an annual report filing fee of \$75 and nonprofit corporations pay a \$30 annual fee. Pennsylvania requires business entities to file a report every 10 years and pay a \$70 fee. Nonstock corporations in Virginia must pay a \$25 annual registration fee. Stock corporations pay an annual fee ranging from \$100 to \$1,700, depending on the authorized shares of the corporation. West Virginia requires most business entities to file an annual report and a \$25 fee. Limited liability partnerships must pay a \$500 annual fee.

Additional Information

Prior Introductions: None.

Designated Cross File: SB 359 (Senator Serafini, *et al.*) - Budget and Taxation.

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

Fiscal Note History: First Reader - February 4, 2020
rh/hlb Third Reader - March 13, 2020
Revised - Amendment(s) - March 13, 2020

Analysis by: Michael Sanelli

Direct Inquiries to:
(410) 946-5510
(301) 970-5510