

Department of Legislative Services
 Maryland General Assembly
 2021 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 779 (Delegate Metzgar)
 Economic Matters

Corporations and Associations - Filing Fees - Reductions

This bill reduces the fee that specified business entities must pay for filing a required annual report with the State Department of Assessments and Taxation (SDAT) by reducing current filing fees in \$50 increments each fiscal year, beginning in fiscal 2022 and ending in fiscal 2025, when the specified filing fees are reduced to \$100. **The bill takes effect July 1, 2021.**

Fiscal Summary

State Effect: General fund revenues decrease by \$10.4 million in FY 2022 and by \$46.1 million in FY 2026. The estimate is based on the general fund corporate filing fee revenue forecast. Expenditures are not affected.

(\$ in millions)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
GF Revenue	(\$10.4)	(\$21.4)	(\$33.0)	(\$45.0)	(\$46.1)
Expenditure	0	0	0	0	0
Net Effect	(\$10.4)	(\$21.4)	(\$33.0)	(\$45.0)	(\$46.1)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary: The bill reduces annual report filing fees for specified business entities that currently pay \$300 annually to SDAT. Filing fees are reduced to the following levels each fiscal year beginning in fiscal 2022:

- \$250 in fiscal 2022;

- \$200 in fiscal 2023;
- \$150 in fiscal 2024; and
- \$100 in fiscal 2025 and subsequent fiscal years.

Current Law: 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. 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. The general fund revenue forecast assumes \$62.6 million in corporate filing fee revenues in fiscal 2022.

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

State Revenues: General fund revenues decrease by \$10.4 million in fiscal 2022 and by \$46.1 million in fiscal 2026. This estimate reflects the proposed reduction in corporate filing fees and the current general fund revenue forecast.

This estimate also accounts for Chapters 323 and 324 of 2016 that established the Maryland Small Business Retirement Savings Program and Trust that requires specified private-sector employers to make the program available to their employees. The legislation waives the annual filing fee collected by SDAT for a corporation or business entity that participates in the program or otherwise offers a retirement savings arrangement for its employees for the filing of reports. The number of businesses that participate will also have an impact on revenues depending on how many participate in the program and have the filing fee waived each year. The Budget Reconciliation and Financing Act of 2019 delayed the implementation of the program until fiscal 2022. As such, the current revenue forecast assumes that filing fee revenues will be reduced by approximately 35% beginning in fiscal 2022 as a result of businesses enrolling in the program. To the extent that variations occur in the number of business entities paying the filing fee each year, the effect on general fund revenues will vary accordingly.

Additional Information

Prior Introductions: HB 1184 of 2017 received an unfavorable report from the House Economic Matters Committee. HB 457 of 2016 received an unfavorable report from the House Economic Matters Committee. Its cross file, SB 385, received a hearing in the Senate Budget and Taxation Committee, but no further action was taken.

Designated Cross File: None.

Information Source(s): Department of Legislative Services

Fiscal Note History: First Reader - February 15, 2021
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Analysis by: Michael Sanelli

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