

**Department of Legislative Services**  
Maryland General Assembly  
2023 Session

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

Senate Bill 12

(Senator Brooks)

Judicial Proceedings

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**Corporations and Associations – Annual Report Filing Fees – Electronic Filing  
Exemption**

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This bill requires the State Department of Assessments and Taxation (SDAT) to waive the annual corporate filing fee for specified business entities that file an annual report electronically, beginning in fiscal 2024. **The bill takes effect July 1, 2023.**

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**Fiscal Summary**

**State Effect:** General fund revenues decrease by \$51.6 million in FY 2024 and by \$68.6 million in FY 2028. Expenditures are not affected.

(\$ in millions)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
GF Revenue	(\$51.6)	(\$55.5)	(\$59.6)	(\$63.9)	(\$68.6)
Expenditure	0	0	0	0	0
Net Effect	(\$51.6)	(\$55.5)	(\$59.6)	(\$63.9)	(\$68.6)

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

**Local Effect:** None.

**Small Business Effect:** Potential meaningful. Small businesses that file an annual report electronically will no longer be subject to the corporate filing fee.

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**Analysis**

**Current Law:**

*Annual Report and Filing Fees*

Business entities in the State are required to file an annual report along with a reporting fee with SDAT by April 15, regardless of whether the business owns property, generates

income, or has conducted business activity in the State during the preceding year. Failure to file the annual report may result in the business entity losing the right to conduct business in Maryland. **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><b>Business Entity</b></u>	<u><b>Fee</b></u>	<u><b>Business Entity</b></u>	<u><b>Fee</b></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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*Covered Employers*

A covered employer is a person engaged in a business, an industry, a profession, a trade, or any other enterprise in the State, whether for profit or not for profit, that pays the covered employer's employees through a payroll system or service.

A covered employer does not include (1) the federal government; (2) the State or any unit of the State; (3) a county or any unit of the county; (4) a municipality or any unit of the municipality; (5) an employer that currently offers an employer-offered savings arrangement that was established separately; (6) an employer that, at any time during the preceding two calendar years, offered an employer-offered savings arrangement that was established separately; or (7) an employer that has not been in business at all times during the current calendar year and the preceding calendar year.

**State Revenues:** General fund revenues decrease by \$51.6 million in fiscal 2024 and by \$68.6 million in fiscal 2028, as shown in **Exhibit 2**. This estimate is based on the current general fund revenue forecast for corporate filing fees and assumes that 65% of eligible business entities will file annual reports electronically in fiscal 2024. The percent of business entities filing electronically will increase by 5% annually.

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**Exhibit 2**  
**Annual Report Filing Fee Revenue Decrease**  
**(\$ in Millions)**

<u>Fiscal Year</u>	<u>General Fund Forecast</u>	<u>Estimated Online Filers</u>	<u>General Fund Revenue Decrease</u>
2024	\$79.3	65%	(\$51.6)
2025	81.3	68%	(55.5)
2026	83.1	72%	(59.6)
2027	85.0	75%	(63.9)
2028	86.8	79%	(68.6)

Source: Board of Revenue Estimates; State Department of Assessments and Taxation; Department of Legislative Services

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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. The Budget Reconciliation and Financing Act of 2019 delayed the implementation of the program until fiscal 2022. The program, MarylandSaves, began operating in September 2022, and the December 2022 revenue forecast assumes that filing fee revenues will be reduced by approximately 35% beginning in fiscal 2023 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 and who also file electronically each year, the effect on general fund revenues will vary accordingly.

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**Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** HB 293 (Delegate Henson) - Economic Matters.

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

**Fiscal Note History:** First Reader - January 24, 2023  
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