

Department of Legislative Services
Maryland General Assembly
2023 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 999

(Delegate Fair)

Economic Matters

Judicial Proceedings

**Corporations - Filing Requirements for Dissolution and Termination of
Registration or Qualification - Repeal**

This bill repeals a prohibition against the State Department of Assessments and Taxation (SDAT) from accepting articles of dissolution of a corporation for record unless specified reports have been filed. The bill also repeals a requirement that SDAT issue a certificate of termination to a foreign corporation if all specified reports have been filed. **The bill takes effect July 1, 2023.**

Fiscal Summary

State Effect: General fund revenues decrease by approximately \$150,000 annually beginning in FY 2024. Expenditures are not affected.

(in dollars)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
GF Revenue	(\$150,000)	(\$150,000)	(\$150,000)	(\$150,000)	(\$150,000)
Expenditure	0	0	0	0	0
Net Effect	(\$150,000)	(\$150,000)	(\$150,000)	(\$150,000)	(\$150,000)

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

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: A corporation must file articles of dissolution for record with SDAT if there are (1) any known creditors of the corporation, after the 19th day following the mailing of notice to them or (2) no known creditors, at any time.

On written request of the corporation, SDAT must furnish without charge a list of all collectors of taxes of counties and municipalities to which the department has certified an assessment of personal property taxable to the corporation within the preceding four years. The department may not accept articles of dissolution of a corporation for record unless the reports have been filed.

A foreign corporation registered or qualified to do business in the State may terminate its registration or qualification as provided. To terminate, the corporation must file an application for termination with the department. The application for termination must be executed for the corporation by its president or one of its vice-presidents. The application must include (1) the name of the corporation, and the address of any principal office in this State; (2) the name and address of its resident agent in this State; (3) a statement that the corporation, in the case of termination of qualification, no longer transacts any intrastate business in this State or in the case of termination of registration, no longer transacts any interstate or foreign business in this State; and (4) a statement that the corporation wishes to terminate its registration or qualification to do business in this State and has filed all reports required by law and has paid all taxes due by it to the State and any of its political subdivisions as of the date of the application for termination. SDAT must issue a certificate of termination to the corporation if all required reports have been filed.

State Fiscal Effect: SDAT advises that the bill will result in fewer business entities paying the \$300 corporate filing fee before filing papers with the department to dissolve or terminate, thereby reducing general fund revenues. The department estimates that based on past filing practices of specified corporations, approximately 500 entities would no longer file an annual report before filing paperwork to dissolve or terminate, thereby reducing general fund revenues by \$150,000 annually.

As a point of reference, SDAT approved 1,051 online Articles of Dissolution and 498 online Foreign Corporation Terminations in fiscal 2022, which represented approximately 80% of the total approved filings for each filing type.

Additional Information

Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

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

Fiscal Note History: First Reader - March 7, 2023
km/hlb Third Reader - March 20, 2023

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