

**Bill:** HB0409

**Support:** In favor of Bill HB0409

MDE Systems LLC

Daren Eveleigh

Corporations and Associations - Annual Reports - Fees for Electronic Filings

Eliminating filing fees paid by corporations and other business entities to the State Department of Assessments and Taxation for certain annual reports due on or after April 15, 2023, that are filed electronically.

### **Testimony**

\$300.00 is the barrier to startup that kept me from starting my business for 4 years. Knowing that I would have to pay \$300.00 every year, I would put off starting my business because of the uncertainty that I would be successful and the disdain for a hefty annual fee that seem to offer no benefit for my business other than a revenue stream for the state. I did not want to start off with state fees before the business was able to make money and I'm sure many others do not want that burden as well.

In 2021 I finally bit the bullet and began the process of starting my LLC. It was late November and after a phone call with a Maryland business department employee I was told that my business would start on the application date not the approval date. Therefore, if I applied in 2021 but was approved in 2022, I would still be responsible for the filing fee for the 2021 year. Once I heard that it was in my best interest to hold off until the new year. This way I do not pay the \$300.00 filing fee for 2021, a year which would have seen no profits or gain for my business whatsoever. It is unlikely that I am the only one who has held off starting an LLC until the new year or held off starting one just because of the fee alone was too much.

The fee is high in comparison to some businesses net gains. Think of all the small businesses that will generate no more than \$5000 a year in sales. Think of folks that are just trying to legitimize what started as a hobby and grew into a business. Think of folks that want to do things the right way and register their business, but they are turned away because of the fees. The more fees on entry the more hesitancy and fear will delay those entrepreneurs from realizing their potential.

Think of all those forfeited businesses out there that have unintentionally let their business annual report laps only to find out they owe years of filing fees to get it back to good standing. Perhaps folks would be more likely to reinstate their forfeited businesses instead of starting a new one, if they had a much smaller and more reasonable fee to bring it back. Many folks simply stop doing business and don't realize that they are still responsible for the filing fee. Especially foreign entities with owners that struggle to tack all the filings and paperwork.