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House Bill 409 - Corporations and Associations – Annual Reports – Fees for Electronic Filings

House Economic Matters Committee February 9, 2022

**Kaitlin Marsden Sweetin, Deputy Legislative Officer, Office of the Governor
Corbett D. Webb, Deputy Director, Department of Assessments and Taxation**

Chair Wilson, Vice-Chair Crosby, Members of the House Economic Matters Committee:

The Governor asks for your favorable report on House Bill 409 - Corporations and Associations – Annual Reports – Fees for Electronic Filings. House Bill 409 would bring much needed financial relief to our hard-working Maryland employers by eliminating the Annual Report filing fees that all business entities are required to pay to maintain their Good Standing status in the state, if they file electronically. This legislation would make Maryland the first state in the country to provide a zero-fee option for all businesses for this type of filing.

All business entities formed, qualified, or registered to do business in Maryland are required to file an Annual Report with the State Department of Assessments and Taxation (SDAT) every year. If an entity does not file this report, they will face forfeiture and may not be able to continue to legally conduct business in the state. The current Annual Report filing fee for domestic (Maryland chartered) entities and foreign (chartered outside of Maryland) entities, including stock corporations, limited liability companies (LLCs), and most other entities is \$300. The fee for a Maryland family farm is \$100. The filing fee is due each year by April 15 with the required Annual Report and, if applicable to the reporting entity, a Business Personal Property return. House Bill 409 would eliminate these filing fees if the entity chooses to file electronically.

Currently, Maryland charges one of the highest fees for Annual Reports in the region for an entity to do business in this state:

- Delaware:
 - \$300 for all domestic and foreign LLCs
 - \$125 for all foreign stock and nonstock corporations
 - \$50 for all domestic corporations
 - \$25 for all domestic nonstock corporations
- New Jersey:
 - \$75 for all for-profits
 - \$30 for all nonprofits
- Pennsylvania:
 - \$70 decennial fee

- Virginia:
 - \$50 for all domestic and foreign LLCs
 - \$25 for all domestic and foreign nonstock corporations
 - \$100 with increases of \$30 for every 5,000 shares the corporation has issued above the first 5,000 shares for domestic and foreign stock corporations
- Washington D.C :
 - \$300 biennial fee to all domestic and foreign stock corporations and LLCs
 - \$80 for all nonstock corporations
- West Virginia:
 - \$25 for all corporations and LLCs

Removing this fee for electronic filers would promote an entrepreneurial climate and provide Maryland with a competitive advantage over neighboring states.

Nationally, while it is difficult to provide conclusive averages of the fees different states have imposed because some states maintain unique criteria for calculating the fee, the rough averages for states that charge fees are:

- \$24 for domestic nonstock corporations
- \$27 for foreign nonstock corporations
- \$62 for domestic stock corporations
- \$83 for foreign stock corporations
- \$88 for domestic LLCs
- \$103 for foreign LLCs

Not only will this legislation result in \$300 cost savings that small businesses and entrepreneurs can invest back into their thriving businesses, but promoting electronic filing will mitigate the many unexpected frustrations customers experience when filing by paper. SDAT continues to experience mail delays, with documents sometimes received weeks or months after they are postmarked. Missing or improperly filled out Annual Reports require the Department to mail them back to the customer for a correction, and improperly completed checks place the business into “not in Good Standing” status. By incentivizing businesses to file electronically with a no-cost option, the Department will also benefit from a streamlined process.

For these reasons, the Administration respectfully requests a favorable report on House Bill 409.