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Appropriations Committee

The Maryland House of Delegates
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THE MARYLAND HOUSE OF DELEGATES
ANNAPOLIS, MARYLAND 21401

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Chair C.T. Wilson
Vice Chair Brian Crosby
House Office Building
Annapolis, Maryland 21401

Chair Wilson, Vice Chair Crosby, and Members of the Economic Matters Committee,

Thank you for the opportunity to testify before you on HB293, Corporations and Associations – Annual Report Filing Fee – Electronic Filing Exemption. The purpose of this bill is to require the State Department of Assessment and Taxation (SDAT) to waive the filing fees for annual reports filed electronically by certain businesses.

In Maryland, most corporations, LLCs, and other legal entities are currently required to file annual reports with SDAT every year for $300, and family farms must pay $100. The regressive fee is levied against business owners, regardless of their size, revenues and profitability. This bill is targeted to help our smallest businesses and will waive the fee for those entities that file online with SDAT but ARE NOT eligible for the fee waiver offered under MD$AVES.

HB293 would eliminate the $300 annual reporting fee paid by corporations, LLCs, and other legal entities and the $100 annual reporting fee paid by family farms who file electronically. The bill does not include businesses who are (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.

Revenues generated by these fees top $50 million annually (you will see that reflected in the fiscal note). However, to put it in context, these fees represent just 1.9% of state revenue. 83% of small businesses in Maryland are operated without employees. According to the 2019 SBA-Small Business Profile, the median income for self-employed business owners was just $56,474 for incorporated businesses and just $25,506 for unincorporated businesses. Waiving this $300

fee will have a small negative impact on our state budget, and a meaningful positive impact for our small business owners.

My interest in this issue was sparked when I was contacted by small businesses in 2021. In 2020, Maryland Department of Commerce provided $40 million in funds to 4,073 business owners through the MD Small Business COVID-19 Emergency Relief program. The awards were initially offered as loans and later were converted to grants. The following year, in 2021 the Department of Commerce awarded an additional $45 million in pandemic relief grant funds to Maryland business owners. During this time, I was contacted by small business owners who were not eligible to receive funding because their businesses had fallen out of good standing due to unpaid taxes and filing fees from SDAT.

Last year, I sponsored HB364. With your support and the support of the Ways & Means Committee, we passed this bill which raised the dollar limit exemption for business personal property taxes and expanded the exemption to 14,000 small businesses. This bill is a continuation of that work.

This bill encourages business development and supports economic growth. Passing HB293 would make Maryland the first state in the country to provide a zero-fee option for annual business reporting, will ease an economic burden for current business owners, and will help to make Maryland more attractive for new business creation.

I ask for a favorable report on HB293.

Sincerely,

Delegate Shaneka Henson