



*Larry Hogan, Governor · Boyd K. Rutherford, Lt. Governor · Michael Higgs, Director*

**ANNUAL REPORT FILING FEE STUDY AND RECOMMENDATIONS  
MARYLAND STATE DEPARTMENT OF ASSESSMENTS AND TAXATION  
MSAR #13118**

**December 31, 2021**

**To:** Maryland General Assembly

**From:** Maryland State Department of Assessments and Taxation

**Contact:** Jonathan Glaser, Legislative Director

[jonathan.glaser@maryland.gov](mailto:jonathan.glaser@maryland.gov) 443-447-0078

**PURPOSE**

Pursuant to HB0356 of the 2021 Legislative Session of the Maryland General Assembly, which was enacted under Article II, § 17(c) of the Maryland Constitution on May 30, 2021, the Maryland State Department of Assessments and Taxation (SDAT) has been tasked to study and review fees collected by other states that are equivalent or substantially similar to the Annual Report filing fees collected by SDAT under the authority of § 1-203(b)(3)(ii) of the Corporations and Associations Article.

Furthermore, SDAT has also been tasked to suggest to the General Assembly, pursuant to §2-1257 of the State Government Article, recommendations to make Maryland's Annual Report fee more competitive with the similar fees collected by other states.

The following study contains the findings of SDAT's review of annual report filing fees collected by all fifty states and the District of Columbia, and SDAT's recommendations to the General Assembly on how best to amend the Maryland Annual Report fees to make Maryland more business-friendly and competitive with its regional neighbors.

**CURRENT ANNUAL REPORT FILING FEES IN MARYLAND**

The current Annual Report filing fee for domestic (Maryland chartered) and foreign (chartered in a different state and registered with SDAT to transact business in Maryland) stock corporations, LLCs, and different types of partnerships is **\$300**. 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. Each entity has the option to extend the due date to June 15 at no charge.

Nonstock corporations, religious corporations, sole proprietorships, general partnerships, and benevolent institutions are not required to pay a filing fee when submitting an Annual Report.

A Maryland family farm pays a \$100 Annual Report filing fee.

## **FINDINGS**

HB0356 directs SDAT to make recommendations as to how to amend Maryland's Annual Report fee structure so that it is more competitive with those similar fees collected by Maryland's regional neighbors.

The rapid expansion of online business filing services in many states, including Maryland, and especially since March 2020, has meant that new business filers now have more filing options readily available to them and can often look further away from their home state when choosing where to register or start a business.

As such, the following findings are based on a survey of the annual report filing fees in all fifty states and the District of Columbia.

### **1. Fees and Fee Structures Vary Widely**

Across the fifty states and the District of Columbia, the filing fees range from as low as \$0 to as high as several thousand dollars depending on the type and makeup of the reporting entity.

Whereas Alabama, Ohio, and South Carolina do not require entities to file an Annual Report or pay a corresponding filing fee, states like Delaware, Tennessee, Arkansas, Virginia, and Wyoming have all adopted fee structures that may result in annual fees in the thousands of dollars for certain corporations that have issued a large number of authorized shares, maintain a high par value of all capital stock, or keep significant assets or capital in the state collecting the fee, and lower fees for other entities.

Most states, however, utilize a flat annual or biennial reporting fee with the required report.

The following states charge a flat fee on domestic businesses: Massachusetts (\$500 annually for MA LLCs), Tennessee (\$300 annually for TN LLCs), Delaware (\$300 annually for DE LLCs), and Maryland (\$300 for MD LLCs and corporations). The District of Columbia charges DC corporations and LLCs \$300, however, only requires the fee biennially with its every-other-year report.

Some states have set much higher flat fees for foreign entities than for the state's domestic entities. For example, Connecticut requires \$435 annually from a foreign corporation versus \$150 from a CT corporation, Oregon requires \$275 annually from a foreign corporation versus \$100 from a OR corporation, and Vermont requires \$200 annually from a foreign corporation and \$140 from a foreign LLC as opposed to \$45 from a VT corporation and \$35 from a VT LLC.

- 11 states have a filing fee of zero dollars for Domestic Nonstock Corporations
- 11 states have a filing fee of zero dollars for Foreign Nonstock Corporations
- 7 states have a filing fee of zero dollars for Domestic Stock Corporations
- 6 states have a filing fee of zero dollars for Foreign Stock Corporations
- 8 states have a filing fee of zero dollars for Limited Liability Companies
- 8 states have a filing fee of zero dollars for Foreign Limited Liability Companies

While it is difficult to provide conclusive national averages of the fees the 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 Limited Liability Companies
- \$103 for Foreign Limited Liability Companies

## **2. Late Filing Fees**

Twenty states require some form of a late filing fee on top of the base reporting fee if the reporting entity fails to file a report before the statutorily mandated deadline or within an allowable grace period. These late fees range from as low as \$10 in Utah and Hawaii to as high as \$200 plus 1.5% interest per month in Delaware. The twenty states that impose late filing fees often use a sliding fee scale that increases depending on how late the report is filed and what type of entity is reporting. The most common late fees are \$25 and \$50.

Maryland does not currently charge a flat late filing fee for Annual Reports. However, entities that submit a late Annual Report with a Business Personal Property return with assessed property are issued a penalty calculated on the assessed value of that business personal property.

## **3. Online Filing Incentives**

The cost to agencies of processing paper applications is significantly higher than to process electronically filed applications. To encourage online filing, Georgia, Kansas, Massachusetts, North Carolina, South Dakota, and Wisconsin have each adopted annual report fees that make it *more expensive* to file the Annual Report on paper. While the savings to any individual online filer in these states averages only \$15, these six states have adopted a forward-looking approach to encourage their customers to take advantage of online filing platforms.

Other states are making it difficult or even impossible to file in person. In Idaho, paper annual reports may only be filed in person at the Idaho Secretary of State's office. In Mississippi and Vermont, it is mandatory to file online.

As online filing becomes more widely adopted it is expected that states will continue expanding online filing options, and modernization efforts, incentivizing increased online filing.

Online filing in Maryland is made available through Maryland Business Express<sup>1</sup>. Online filers in the state currently pay the \$300 Annual Report filing fee, which is statutorily required for all filers regardless of whether they file online or by paper, and a 3% convenience fee, which funds continuous maintenance, upgrades, enhancements, and improvements to Maryland Business Express.

#### **4. Less Frequent Filing Requirements**

Thirteen states require all or some of their registered entities to file business reports on a biennial or less frequent basis. Seven states (Alaska, District of Columbia, Indiana, Iowa, Nebraska, New Mexico, and New York) require biennial reports for all entity types. California, Vermont, New Hampshire, and Texas each allow certain entity types to file less frequently than biennially. Missouri allows entities to choose an annual or biennial filing schedule at the time of formation and Pennsylvania only requires a decennial report). Maryland requires annual submission and payment.

#### **5. How Does Maryland Compare with Its Neighbors?**

West Virginia charges a flat \$25 annual report fee to all corporations and LLCs and a \$25 or \$50 late fee if the annual report is filed after July 1.

Pennsylvania's reporting requirement for all registered entities is decennial, meaning that the report is due once a decade. Pennsylvania decennial reports must be filed anytime during the calendar years ending in 1 (2001, 2011, 2021, 2031, etc.). Every decennial report must be accompanied by a \$70 flat fee.

The District of Columbia charges a flat \$300 biennial report fee to all domestic and foreign stock corporations and LLCs and \$80 to nonstock corporations. The District of Columbia only collects reports and fees every other year.

Virginia charges a flat \$50 annual report fee to all domestic and foreign LLCs and a flat \$25 annual report fee to all domestic and foreign nonstock corporations. The annual report fee for domestic and foreign stock corporations starts at \$100 and increases \$30 for every 5,000 shares the corporation has issued above the first 5,000 shares. The annual report fee for stock corporations is capped at \$1,700 for corporations that have issued more than 270,000 shares of stock.

Delaware charges a flat \$300 annual report fee to all domestic and foreign LLCs and a flat \$125 annual report fee to all foreign stock and nonstock corporations. Delaware charges a flat \$50

---

<sup>1</sup> <https://businessexpress.maryland.gov/>

annual report fee to all domestic corporations and a flat \$25 to all domestic nonstock corporations, however, all domestic corporations are also charged a franchise tax that can range between a minimum of \$175 and a maximum of \$200,000 based on the statutory formula Delaware has adopted. The breakdown of this complicated fee calculation structure can be found here: <https://corp.delaware.gov/frtaxcalc/>. The late fee for a domestic corporation filing after March 1 is \$200 plus 1.5% interest per month. Foreign corporations pay a flat \$125 late fee.

## **RECOMMENDATIONS**

Based on the findings of the comprehensive study of annual and biennial report filing fees collected by all fifty states and the District of Columbia, the State Department of Assessments and Taxation submits the following recommendations to the Maryland General Assembly.

### **1. Eliminate the \$300 Annual Report Fee**

For small businesses and entrepreneurs, \$300 is a significant amount of money that can create financial hardships. Removing this fee would undoubtedly promote a friendlier entrepreneurial climate in Maryland.

LLCs remain the most popular business structure for new businesses. For Domestic LLCs, currently both Delaware and Maryland charge a \$300 filing fee. Lowering the domestic LLC fee in Maryland would likely draw some of those initial LLC formation filings away from Delaware and to Maryland. Maryland could have a competitive advantage by lowering the annual report fee.

This change would positively affect the Maryland small business community.

### **2. Make Online Filing Less Expensive Than Paper Filing**

During the previous five years, SDAT has made significant progress in modernizing and upgrading the Maryland Business Express online filing platform. The past year and a half have only accelerated the expansion of online services as more of SDAT's customers utilize and adapt to the filing processes through Business Express. Despite these gains, SDAT continues to receive large numbers of paper Annual Reports through the mail and by in person delivery. These Annual Reports are accompanied by checks or money orders.

Annual Reports submitted to SDAT in hard copy present multiple challenges because of the many opportunities for disruption to the filing process. Delays to mail delivery (a significant challenge for much of the last year and a half), missing or improperly filled out checks for fees, damaged, unreadable, or missing pages, and improperly completed forms all result in delays and frustrated filers. As such, paper filings cost more to process and record both in terms of budgetary expense and staff time.

States that have incentivized online annual report filing by making online filing cheaper than paper filing (or altogether eliminated paper filings for businesses) have taken a forward-thinking approach to the modernization of business filing in their respective states. By making online annual report filing in Maryland cheaper than filing on paper, Maryland can distinguish itself regionally as none of its neighbors have yet to do so.