

# **SB 363 Procurement Contracts -Disclosures to Sec o**

Uploaded by: Justin Ready

Position: FAV

JUSTIN READY  
Legislative District 5  
Carroll County

MINORITY WHIP  
Finance Committee



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THE SENATE OF MARYLAND  
ANNAPOLIS, MARYLAND 21401

January 24, 2024

**Senator Justin Ready**  
**SB 363 – Procurement Contracts – Disclosures to Secretary of State – Beneficial Ownership**

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Chair Guzzone, Vice-Chair Rosapepe and members of the Budget and Tax Committee:

Senate Bill 363 was requested by a constituent. It would alter the definition of “beneficial ownership” under State procurement law, which alters the types of individuals who must disclose the ownership stake in businesses that have contracts with the State.

Currently, if a business has a contract with the State of Maryland, anyone owning more than 5% of that business that does more than \$200,000 worth of the business with the State, must report their ownership to the Secretary of State. Senate Bill 363 would change the amount of ownership 25% of business and/or if the person is a director in the business.

While owners having 5% ownership typically do not make any management decisions or legally bind the company in any way the current law could subject them to criminal convictions and fines, nonetheless. Senate Bill 363 protects employees who are fortunate to gain minority ownership interest as a means of promotion for exemplary work. If these owners own less than 25% of the company and have no contractual/legal authority why subject them to Maryland's current Beneficial Ownership rules? At their level of ownership, it is conceivable that they will not be privy to any or all agreements the business has with the State, no matter the dollar amount. The Federal Government realized that their Beneficial Ownership rules were overly burdensome for minority interest owners. Therefore, on May 11 2016, the federal government published a final rule that amended the definition of Beneficial Ownership that became effective on May 11, 2018, as outlined below.

- (i) Each individual, if any, who owns, directly or indirectly, 25 percent or more of the equity interests of the legal entity customer (e.g. each natural person that owns 25 percent or more of the shares of a corporation);

- (ii) An individual with significant responsibility for managing the legal entity customer (e.g. Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Managing Member, General Partner, President, Vice President, or Treasurer).

The purpose of SB 363 is to bring Maryland current Beneficial Ownership law to meet federal standards and protect an owner/officer having less than 25% ownership with no control of the company from potential criminal penalties and fines.

I respectfully request a **favorable** vote on Senate Bill 363.

# Senat Bill 363 - Support.pdf

Uploaded by: karen Pecora-Barbour

Position: FAV



Promoting the growth, prosperity and participation of Hispanic Commercial Contractors in commercial and government procurement contracts through education, training and guidance.

January 23, 2024

## **SUPPORT SENATE BILL 363 BENEFICIAL OWNERSHIP**

The Honorable Guy Guzzone, Chair and,  
The Honorable Jim Rosapepe, Vice Chair  
Senate Budget and Taxation Committee  
3 West - Miller Senate Office Building  
Annapolis, MD 21401

Dear Chair, Vice Chair and Members of the Committee:

The Alliance for Hispanic Commercial Contractors (AHCC) supports Senate Bill 363. AHCC educates, trains, and guides Hispanic commercial contractors on how to negotiate more favorable contract language and better navigate state and federal procurement laws to avoid any missteps that could have material financial impact on their companies and reputations. AHCC was founded in 2016 and has gained the support of notable companies and institutions.

We feel that Maryland's Beneficial Ownership law brings too much risk and harm to minority interest owners. **If a business or an officer of a business that has 5% ownership or more violates the Beneficial Ownership's filing requirements, they could become guilty of a misdemeanor and if convicted pay up to a \$10,000 fine.**

Maryland's current definition of Beneficial Ownership is any ownership of 5% or more. A business that enters into contracts, leases, or other agreements with the State that are \$200,000 or more in value, must make certain filings with the State.

While owners having 5% ownership typically do not make any management decisions or legally bind the company in any way, the current law could subject them to criminal convictions and fines, nonetheless. Senate Bill 363 protects employees who are fortunate to gain minority ownership interest as a means of promotion for exemplary work. If these owners own less than 25% of the company and have no contractual/legal authority, why subject them to Maryland's current Beneficial Ownership rules? At their level of ownership, it is conceivable that they will not be privy to any or all agreements the business has with the State, no matter the dollar amount.

The Federal Government realized that their Beneficial Ownership rules were overly burdensome for minority interest owners. Therefore, on May 11, 2016, the federal government published a final rule that amended the definition of Beneficial Ownership that became effective on May 11, 2018, as outlined below.

240.614.AHCC (2422)

[www.alliancehispaniccontractors.org](http://www.alliancehispaniccontractors.org)

PO Box 346


Finksburg, MD 21048

- (i) Each individual, if any, who owns, directly or indirectly, 25 percent or more of the equity interests of the legal entity customer (*e.g.*, each natural person that owns 25 percent or more of the shares of a corporation); **and**
- (ii) An individual with significant responsibility for managing the legal entity customer (*e.g.*, a Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Managing Member, General Partner, President, Vice President, or Treasurer).

The purpose of SB 363 is to bring Maryland's current Beneficial Ownership law to meet federal standards and protect an owner/officer having less than 25% ownership with no control over the company from potential criminal penalties and fines.

We hope to have your favorable support for SB 363.

Sincerely,

  
Karen Pecora-Barbour  
Co-Founder

And

  
Joshua Lopez  
Vice President