

**HB0271-ECM\_MACo\_SUP.pdf**

Uploaded by: Dominic Butchko

Position: FAV



## House Bill 271

### *Limited Liability Companies - Articles of Organization - Required Information*

MACo Position: **SUPPORT**

To: Economic Matters Committee

Date: February 6, 2024

From: Dominic J. Butchko

RTSThe Maryland Association of Counties (MACo) **SUPPORTS** HB 271. This bill will require LLCs to provide and maintain accurate contact information for members authorized to act on behalf of the entity. This information, specifically for corporate entities owning real property, could help accelerate efforts to target abandoned property and blight, to expand housing options.

For the 2024 Maryland General Assembly Session, MACo has made it a priority – one of the Association’s four legislative initiatives – to *Advance Comprehensive Housing Solutions*. Much like climate change and sea level rise, the challenges surrounding affordable housing are vast and call for a large, multipronged effort. While in other policy areas, it may be easy to deduce a simple cause-and-effect relationship, housing is a complex web of multifaceted factors. Addressing challenges like workforce, financing, interest rates, broad economic trends, supply chain, and large out-of-state corporate interests – among many other obstacles – requires an all-hands-on-deck effort from policy makers at all levels.

MACo is working with sponsors to cross-file legislation to target several components of this crisis: abandonment/blight disincentives, corporate owner transparency, and short-term rental oversight. Additionally, under this initiative, counties will be supporting other pro-housing legislation which helps to advance the conversation, balances local flexibility, and ensures more Marylanders can afford a place to call home.

LLCs are a common vehicle by which many Marylanders can, among other things, purchase property and participate in the housing ecosystem as responsible landlords. But for properties not properly maintained, LLCs can also become an obstacle to reducing blight, taking action against public health and safety concerns, and more broadly ensuring our communities are places where residents still want to call home. The opacity of corporate land ownership, allowable under current law, is an obstacle to community improvement and housing expansion.

To be clear, the vast majority of actors with LLCs are responsible. But increasingly, local jurisdictions are being faced with properties owned by LLCs which lack accurate contact information. In these cases, counties are forced to spend increasingly more staff resources and tax dollars to make every necessary effort to contact property owners. This process can take months to years, meanwhile, the property is continuing to be, at best, a blight weighing down the surrounding community, and, at worst, a serious health and safety hazard. In many pockets of the state, the status quo is allowing badly needed units to sit rotting, while too many Marylanders can't find an affordable place to call home.

Counties cannot solve the housing crisis alone, and inaccurate or defunct LLCs continue to be a contributing cause of blight and community degradation. For this reason, MACo **urges the committee to give** HB 271 a **FAVORABLE** report.

# **HB271 - Maryland Legal Aid - FAV.pdf**

Uploaded by: Joseph Loveless

Position: FAV



**MARYLAND  
LEGAL AID**

*Advancing*  
**Human Rights and  
Justice for All**

## **House Bill 271**

### **Limited Liability Companies – Articles of Organization – Required Information**

Hearing in the House Committee on Economic Matters

Hearing on February 6, 2024

**Position: FAVORABLE**

*Maryland Legal Aid (MLA) submits its written and oral testimony on HB 271 at the request of bill sponsor Delegate Robin Grammer.*

MLA is a non-profit law firm that provides free legal services to the State’s low-income and vulnerable residents. Our offices serve residents in each of Maryland’s 24 jurisdictions and handle a range of civil legal matters, the most prominent of which is housing. Our Tenants’ Right to Counsel Project represented tenants in over 2,000 cases in 2023. Maryland Legal Aid asks that the Committee report **favorably** on HB 271 to require Limited Liability Companies (“LLC”) to state the name and home address of each member authorized to act on behalf of the LLC.

#### ***Addressing the need for landlord transparency***

For many MLA clients, rental operations are layered in levels of LLCs. Commonly, we see that an LLC owns a rental property, that operations of the property fall under a second LLC, and that the resident agents for either or both LLCs is yet another LLC. Our clients may receive dunning letters or threats of eviction from individuals or under company names they have never encountered before. Those names are often omitted from the tenant’s lease agreement and absent from the LLC’s articles of organization.

“Failure to Pay Rent” eviction cases present similar challenges for tenants. While landlords typically name their LLC as plaintiff, they are permitted under statute to have any person stand in their place at trial.<sup>1</sup> Too often, we find that our clients have never met the person who is claiming to be the “landlord” at trial. We cannot verify whether the person is a member of the owning or operating LLC and is authorized to act on behalf of the LLC. Notably, “Failure to Pay Rent” eviction actions do not allow for discovery. Maryland renters face similar challenges in small claims actions, in which members of LLCs are permitted to represent the LLC in court in place of an attorney.<sup>2</sup>

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<sup>1</sup> Md. Code Ann., Bus. Occ. & Prof. art. § 10-206(b) (providing an exception for non-attorney representation of landlords in Failure to Pay Rent cases and Rent Escrow cases in the district court).

<sup>2</sup> *Id.*

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For these reasons, publicly available records of the State Department of Assessments and Taxation, such as the LLC’s articles of organization, provide a crucial level of transparency. These records may provide renters and their counsel their only view into the actors behind the LLC. The enhanced disclosures under HB 271 would enable renters to understand who is ultimately accountable for maintenance, repairs, accounting, and other aspects of both ownership and property management. Access to this information helps renters problem-solve disputes without resort to litigation and better prepares them for litigation when it cannot be avoided.

**Maryland Legal Aid urges the Committee to issue a FAVORABLE report on House Bill 271.** If you have any questions, please contact Joseph Loveless, Staff Attorney, (410) 925-8572, [jloveless@mdlab.org](mailto:jloveless@mdlab.org) or Zafar Shah, Assistant Advocacy Director – Tenants’ Right to Counsel Project, (443) 202-4478, [zshah@mdlab.org](mailto:zshah@mdlab.org).



**MARYLAND  
LEGAL AID**

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**Tenants' Right to Counsel Project**

# **CLC Written Testimony HB 271 Limited Liability Com**

Uploaded by: Shana Roth-Gormley

Position: FAV



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## HB 271

### Limited Liability Companies - Articles of Organization - Required Information

Hearing before the House Economic Matters Committee

Feb. 6, 2024

**POSITION: Favorable**

Community Law Center (CLC) is a 501(c)(3) nonprofit organization, which is a legal partner to Maryland neighborhoods and nonprofits in pursuit of more just and vibrant communities. CLC provides direct legal representation to communities and nonprofits on issues like tax exemption and organizational governance, real estate, contracts, intellectual property, employment law, and more. We advocate on issues that impact our Maryland neighborhood and nonprofit clients, including to address nuisance properties issues and to prevent and remediate property vacancy and abandonment.

**CLC supports HB 271 to increase the transparency of limited liability companies (LLCs) operating in Maryland.** The bill would require LLCs to disclose the name and home address of each member authorized to act on behalf of the LLC. CLC supports this change to make it easier to know who to contact, particularly if the LLC owns property in Maryland. CLC's neighborhood organization clients frequently come to us for help figuring out who to contact when an LLC owns a neighborhood business or property, after having difficulty reaching out through the resident agent. The neighborhood may wish to speak with the owner about community issues, or to offer to purchase the property, or about a problem with the property. Giving more contact information for decisionmakers at an LLC would only benefit Maryland communities and businesses who live and work in relationship with LLCs.

HB 271 would put Maryland in line with the vast majority of jurisdictions nationwide. In a survey CLC conducted in 2014, we learned that 82% of U.S. states, as well as Washington, D.C. and Puerto Rico, require disclosure of all LLC members. In Washington, D.C., entities like LLCs are required to report biennially on those members with a more than 10% ownership stake in the entity, or who are actively involved in management of the entity.

CLC supports HB 271, but would also recommend expanding the disclosure required to include managers of LLCs as well as members. The managers of an LLC, if different from the members, would be helpful contacts to address issues with properties owned by LLCs.

CLC supports HB 271. Thank you for the opportunity to testify.

For the above reasons,

**CLC urges a FAVORABLE VOTE ON HB 271.**

Please contact Shana Roth-Gormley, Staff Attorney at Community Law Center, with any questions.  
ShanaR@communitylaw.org | 410-366-0922 x 118



**HB 271\_BOMA\_UNF.pdf**

Uploaded by: Bryson Popham

Position: UNF

February 2, 2024

The Honorable C.T. Wilson  
Chair, House Economic Matters Committee  
Room 231, House Office Building  
Annapolis, Maryland 21401

RE: House Bill 271 - Limited Liability Companies - Articles of Organization - Required Information  
UNFAVORABLE

Dear Chair Wilson and Members of the Committee,

I am writing in my capacity as both the Legislative Chairman of the Building Owners and Managers Association of Greater Baltimore (BOMA), and as a member of its Board of Directors, to respectfully request an unfavorable report on House Bill 271.

BOMA, through its nearly 300 members, represents owners and managers of all types of commercial property, comprising 143 million square feet of office space in Baltimore and Central Maryland. Our members' facilities support over 19,000 jobs and contribute \$2.5 billion to the Maryland economy each year.

In commercial real estate, the creation and use of different legal entities is a common occurrence. Limited liability companies are often favored forms of legal organization because of their ease of use, among other reasons. LLCs enjoy the same protection from disclosure of the personal information that other business entities currently have. To single LLCs out, as this legislation seeks to do, by imposing an unprecedented identification requirement for individual members, is totally unwarranted. It is likely, should this bill become law, that Maryland LLCs may seek to reorganize in other states where no such disclosure requirement exists.

For these reasons, BOMA respectfully requests an unfavorable report on House Bill 271.

Sincerely,



Kevin J. Bauer

**HB 271\_UNF\_MAMIC.pdf**

Uploaded by: Bryson Popham

Position: UNF



191 Main Street, Suite 310 – Annapolis MD 21401 – 410-268-6871

February 2, 2024

The Honorable C.T. Wilson  
Chairman, House Economic Matters Committee  
Room 231, House Office Building  
Annapolis, Maryland 21401

RE: House Bill 271 - Limited Liability Companies - Articles of Organization - Required Information  
UNFAVORABLE

Dear Chairman Wilson and Members of the Committee,

MAMIC is comprised of 12 mutual insurance companies that are headquartered in Maryland and neighboring states. Approximately one-half of our members are domiciled in Maryland, and are key contributors and employers in our local communities. Together, MAMIC members offer a wide variety of insurance products and services and provide coverage for thousands of Maryland citizens.

Although many MAMIC members are small insurers, they may have affiliated legal entities that take the form of limited liability companies. We note the written opposition of the Maryland Department of Assessments and Taxation to virtually identical legislation from 2023. We adopt the position and the reasoning of SDAT in MAMIC's opposition to this year's legislation.

Specifically, requiring highly sensitive personal information of an LLC member to be disclosed in its organizational documents imposes an unacceptable risk on those individuals whose personal information is disclosed. The Maryland General Assembly has traditionally guarded individual privacy against the unwarranted disclosure of purely private information. Any legitimate purpose for seeking such information can be achieved by using measures that are permissible under current law. There is no need for the additional gratuitous disclosure requirements under House Bill 271.

For these reasons, MAMIC and its members respectfully requests an unfavorable report on this legislation.

Sincerely,

A handwritten signature in black ink that reads "Jeane A. Peters". The signature is written in a cursive, flowing style.

Jeane A. Peters, President MAMIC

# **HB 271 – LLC – Articles of Organization – Required**

Uploaded by: Christa McGee

Position: UNF



**House Bill 271 – Limited Liability Companies – Articles of Organization – Required Information**

Maryland REALTORS® have concerns with HB 271 which would require the name and home address of each member authorized to act on behalf of a Limited Liability Company (LLC) to be included within the articles of the organization.

REALTORS® who operate their small business through an LLC, particularly those engaged in rental property management, are fearful of the unintended consequences that may result from this additional reporting requirement. Occasionally, tenants who are facing eviction become hostile towards landlords and/or property managers. The requirement under this bill would leave REALTORS® and their families much more vulnerable to situations where they may be physically attacked by those who wish to cause harm since their home address would be accessible to the public.

Maryland REALTORS® respectfully requests an unfavorable report on House Bill 271.

**For more information contact  
lisa.may@mdrealtor.org or christa.mcgee@mdrealtor.org**

# **HB271 LLCs - Required Information - Opposition Wri**

Uploaded by: Christia Pritts

Position: UNF



**MSBA Main Office**  
520 West Fayette Street  
Baltimore, MD 21201  
410-685-7878 | msba.org

**Annapolis Office**  
200 Duke of Gloucester Street  
Annapolis, MD 21401  
410-269-6464 | msba.org

**To:** Maryland House of Delegates – Economic Matters Committee

**From:** MSBA Estate & Trust Law Section

**Date:** February 6, 2024

**Subject:** **HB 271**– Limited Liability Companies – Articles of Organization – Required Information

**Position:** **Oppose**

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The Estate and Trust Law Section of the Maryland State Bar Association (MSBA) **opposes House Bill 271 – Limited Liability Companies – Articles of Organization – Required Information**

### **Description of HB 271**

House Bill 271 would require the name and home address of each individual member of a limited liability company (“LLC”) who is authorized to act on behalf of the LLC to be published in the company’s articles of organization upon formation. Further, if a person knowingly files articles of organization with incorrect information, that person would be guilty of a misdemeanor and subject to a fine of up to \$5,000.

### **Relation to Estate Planning Transactions**

Our clients, Maryland families, create LLCs for estate planning purposes. Family members may want to pool their resources, facilitate making gifts of smaller property interests, or set up a mechanism for family ownership of a vacation home.

Because of the nature of these family LLCs, ownership and management often changes. A parent will give an interest to a child, interests will be moved in trust, or a new member of the family will join. Any of these changes may also necessitate a change in the managing member(s). In fact, clients often set up an LLC initially with one member of the family, and then immediately thereafter, interests will be gifted to other family members.





**MSBA Main Office**  
520 West Fayette Street  
Baltimore, MD 21201  
410-685-7878 | msba.org

**Annapolis Office**  
200 Duke of Gloucester Street  
Annapolis, MD 21401  
410-269-6464 | msba.org

## **Privacy Concerns**

For clients creating family LLCs, this bill would allow anyone searching SDAT for “Smith Family LLC” to have the names and home addresses of family members who are participating in management. Clients often have legitimate safety concerns about sharing their home address, or the address of a family member, online and take steps to avoid doing so.

Our clients understand that they are required to report the beneficial ownership of their family LLCs to the Financial Crimes Enforcement Network (FinCEN) pursuant to the Corporate Transparency Act (“CTA”). At first glance, HB 271 appears to duplicate some aspects of the CTA at the state level. However, FinCEN has acknowledged privacy concerns and has developed a secure, non-public database to store private information and allows individuals to apply for a FinCEN identifier rather than sharing their personal information to each company they own. HB 271 would instead add names and home addresses to a document that is available to the public.

## **Burden of Amendment**

HB 271 also requires the LLC to update the articles when there is a change in the members who are authorized to act on behalf of the LLC. This is particularly onerous for family LLCs, whose purpose is often to facilitate gifting of assets. Indeed, if membership changes and different family members become involved with management, and the company forgets to update the articles, arguably the company would be in violation of the act and guilty of a misdemeanor. We anticipate that few clients would choose to take on the risk of creating their LLCs in Maryland with these additional requirements and the related costs and burdens.

## **Competitive Disadvantage**

If HB 271 were adopted, our members would likely advise clients to create their family LLCs in another jurisdiction such as Delaware. Setting up their LLCs in Delaware would allow clients to safeguard the names and addresses of their family members and avoid filing new documentation with the state each time there is a change in who is authorized to act on behalf of the LLCs. Further, there would be no risk of inadvertently being guilty of a misdemeanor and subject to a fine of up to \$5,000 in Delaware.



**MSBA Main Office**  
520 West Fayette Street  
Baltimore, MD 21201  
410-685-7878 | msba.org

**Annapolis Office**  
200 Duke of Gloucester Street  
Annapolis, MD 21401  
410-269-6464 | msba.org

In fact, for any company seeking to hide such information from the State of Maryland, the workaround of organizing in another jurisdiction is so simple that one wonders how this legislation would allow any crimes to be discovered.

To keep Maryland LLCs in Maryland, the Estate and Trust Law Section of the MSBA **opposes HB 271 and urges an unfavorable committee report.**

**For further information, please contact:**

<p><b>Sarah B. Kahl</b> (410) 244-7584 <a href="mailto:sbkahl@venable.com">sbkahl@venable.com</a></p>	<p><b>Christia Pritts</b> (410) 828-7775 <a href="mailto:cpritts@simscampbell.law">cpritts@simscampbell.law</a></p>	<p><b>Laura Thomas</b> (240) 813-4885 <a href="mailto:Laura@LegacyLegalPlanningLLC.com">Laura@LegacyLegalPlanningLLC.com</a></p>
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**HB0271\_MSBA\_Cahn\_UNF.pdf**

Uploaded by: David Cahn

Position: UNF



MSBA Main Office  
520 West Fayette Street  
Baltimore, MD 21201  
410-685-7878 | [msba.org](http://msba.org)

Annapolis Office  
200 Duke of Gloucester Street  
Annapolis, MD 21401  
410-269-6464 | [msba.org](http://msba.org)

February 2, 2024

Delegate C. T. Wilson, Chair  
House Economic Matters Committee  
Room 231  
House Office Building  
Annapolis, Maryland 21401

Re: **MSBA Business Law Section**

House Bill 271 (Limited Liability Companies – Articles of Organization – Required Information) -- **OPPOSED**

Dear Chair Wilson and Fellow Committee Members:

The Business Law Section (the “Business Law Section”) of the Maryland State Bar Association (the “MSBA”), through its elected Section Council, annually reviews proposed legislation that may affect Maryland businesses. We are submitting this written testimony with respect to House Bill 271 (Limited Liability Companies – Articles of Organization – Required Information) (“HB 271” or the “Bill”). The Bill would amend Sections 1-203, 4A-204 and 4A-207 of the Corporations and Associations Article of the Maryland Code to require the Articles of Organization for a Maryland limited liability company (or “LLC”) to include “the name and home address of each member authorized to act on behalf of the limited liability company,” require that if there is any change in the identity or address information of such members with authority the LLC promptly file updated information, and to make it a misdemeanor to file Articles of Organization or subsequent updated information that a person “knows or has reason to know contain incorrect information” regarding names and home addresses of the LLC’s authorized members.

**The Section Council opposes the Bill.** Any business entity formation document (such as an Articles of Incorporation or Organization) that is filed with Maryland’s State Department of Assessment and Taxation (“SDAT”) is publicly accessible through an Internet search. A minority of U.S. states require the public disclosure of the names of a limited liability company’s members with authority to form a limited liability company, and only a few require the disclosure of any such person’s address -- let alone their *residential* street address. For example, neither Delaware nor Virginia requires any such disclosure in a document that is publicly accessible. Accordingly, enactment of such an intrusive mandate would make Maryland an outlier and decrease its attractiveness as a destination to launch and grow businesses – to the detriment of Maryland’s tax base and its residents.

The Bill also is unlikely to result in full disclosure of the persons authorized to bind an LLC. The addition of such a burdensome requirement for all existing Maryland LLCs is likely to result in many moving their state of formation to neighboring states that do not impose such requirements.

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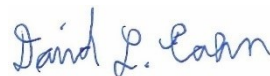
Furthermore, the Bill singles out one form of business entity for unfavorable treatment, without any evident basis. If enacted, Maryland LLCs that do not move their state of formation elsewhere may change to another form of entity, such as a limited partnership or corporation, to avoid the disclosure requirements proposed in the Bill. If the legislature imposes similar reporting requirements for all Maryland limited liability entities, then that would result in a larger abandonment of Maryland as a state of incorporation or formation for all entities, to even greater detriment of Maryland's fiscal health and its workers.

Moreover, while the U.S. Corporate Transparency Act (the "CTA") now requires that many LLCs and other limited liability entities report their beneficial owners and controlling persons to the Financial Crimes Enforcement Network (FinCEN), Congress and the U.S. Treasury Department recognized the privacy concerns inherent in such requirements and the data that must be reported is being held in a non-public database that is only accessible to public law enforcement agencies. Consistent with the federal government, while New York state passed a bill during 2023 requiring LLCs to disclose extensive ownership and control information disclosures to that state's Secretary of State, New York's Democratic governor only agreed to sign the bill on the condition that the personal identifying data collected would not be accessible to the public and only available to public law enforcement agencies. HB 271 contains no such limitation.

The Bill's sponsor, Delegate Grammer, has indicated that his primary purpose for introducing the Bill is to force entities that own real property to disclose the identity of their controlling person(s) publicly so that community associations and other interested parties can communicate with those people to facilitate resolution of problems caused by the property. While that concern is understandable, the Maryland Limited Liability Company Act has been used by entrepreneurs to form companies for a variety of business purposes, and the vast majority of Maryland LLCs do not own real estate, let alone properties that might be a community nuisance. HB 271 would require burdensome new publicly accessible disclosures by all such LLCs without any showing that such a broad-brush requirement is remotely necessary or cost effective.

If the General Assembly determines that a widespread problem exists with the ownership of real property through limited liability entities, the proper method of addressing such perceived problem is through the regulation of property ownership, including rental housing licensing and registration laws. It does not lie with the overly broad and burdensome requirements of this Bill. For the foregoing above reasons, the Business Law Section is opposed to HB 271.

Sincerely,



David L. Cahn

Chair

Business Law Section Council

Cc: MSBA Business Law Section Council

# **HB 271 FINAL WR Testimony.pdf**

Uploaded by: Giavante Hawkins

Position: UNF



MARYLAND SOCIETY OF ACCOUNTING AND TAX PROFESSIONALS

10451 Mill Run Circle #625  
Owings Mills, MD 21117

1-800-922-9672  
410-876-5998

FAX 443-881-4146  
www.msatp.org

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**Giavante' Hawkins**  
*Executive Director*

**To: Economic Matters**

**From: The Maryland Society of Accounting and Tax Professionals**

**Re: HB 271**

**Contact Person: Giavante' Hawkins**

**Position: OPPOSE**

**Limited Liability Companies - Articles of Organization - Required Information**

I write today on behalf of the Maryland Society of Accounting and Tax Professionals (MSATP), representing over 2,000 accounting and tax professionals serving hundreds of thousands of Maryland taxpayers. While understanding the value transparency provides, our organization maintains reservations regarding House Bill 271 mandating disclosure of authorized legal representatives within limited liability companies (LLCs). We ask the Committee to weigh carefully potential unintended drawbacks against asserted benefits before advancing this legislation.

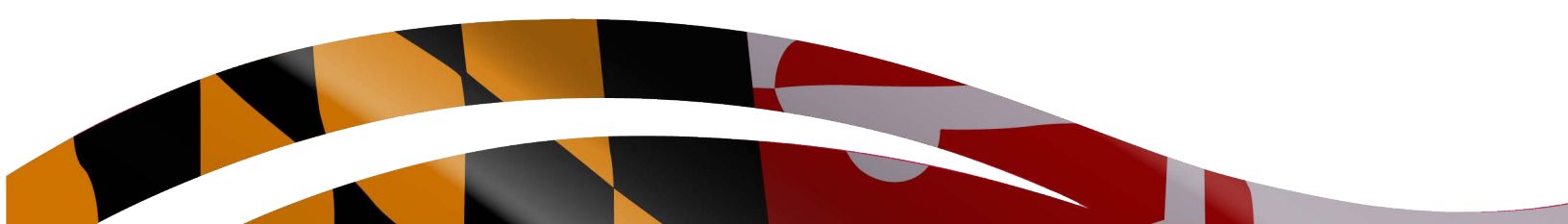
While proponents rightly argue that anonymity around LLC decision-makers sometimes cultivates irresponsibility, mandatory public listings also introduce privacy and security drawbacks. Many small businesses rightly value discretion regarding organizational structures or personnel, especially during the initial formation stages when vulnerability to competitors is heightened. Women, minority, and immigrant-owned startups could face particular jeopardy from compulsory disclosures amongst documents accessible to anyone online.

Additionally, over 100,000 LLCs currently operating in Maryland are obligated to provide contact information if the bill becomes law. Ensuring across-the-board compliance risks overburdening the Department of Assessments and Taxation lacking resources to routinely investigate or widely enforce these rules. Without funding for more personnel, fraud may persist.

We believe ongoing policy dialog regarding balancing LLC transparency versus operational flexibility and privacy deserves thoughtful input accounting for unintended consequences. For now, the MSATP hesitatingly urges an unfavorable report on House Bill 271 awaiting further study and debate.

Thank you for your consideration.

*Giavante Hawkins*







# **MBIA Letter of Opposition to HB271.pdf**

Uploaded by: Lori Graf

Position: UNF

February 6, 2024

The Honorable C.T. Wilson  
Economic Matters Committee  
House Office Building, Room 231  
6 Bladen St., Annapolis, MD, 21401

**RE: OPPOSE - HB 271 - Limited Liability Companies - Articles of Organization - Required Information**

Dear Chair Wilson:

The Maryland Building Industry Association, representing 100,000 employees statewide, appreciates the opportunity to participate in the discussion surrounding HB 271 - Limited Liability Companies - Articles of Organization - Required Information MBIA **Opposes** the Act in its current version.

House Bill 271 would seek to require a limited liability company to include in its articles of organization the name and home address of each member of the limited liability company.

Many construction companies choose an LLC as their business structure due to the fact that LLCs help shield owners from liabilities and debts. In some cases builders may have several LLCs due to multiple projects, due to the complexity of reporting all of these entities and to avoid confusion, all correspondence should go the registered agent.

For these reasons, MBIA respectfully requests the Committee give this measure a favorable report. Thank you for your consideration.

For more information about this position, please contact Lori Graf at 410-800-7327 or [lgraf@marylandbuilders.org](mailto:lgraf@marylandbuilders.org).

cc: Members of the House Economic Matters Committee

# **HB 981 Opposition BLS [2023].pdf**

Uploaded by: Mark Glazer

Position: UNF



**MSBA Main Office**  
520 West Fayette Street  
Baltimore, MD 21201  
410-685-7878 | msba.org

**Annapolis Office**  
200 Duke of Gloucester Street  
Annapolis, MD 21401  
410-269-6464 | msba.org

March 6, 2023

Delegate C. T. Wilson, Chair  
House Economic Matters Committee  
Room 231  
House Office Building  
Annapolis, Maryland 21401

Re: **MSBA Business Law Section Council**  
House Bill 981 (Limited Liability Companies – Articles of Organization – Required Information) -- **OPPOSED**

Dear Chair Wilson and Fellow Committee Members:

The Business Law Section Council (the “Section Council”) of the Maryland State Bar Association (the “MSBA”) annually reviews proposed legislation that may have an effect on Maryland businesses. We are submitting this written testimony with respect to House Bill 981 (Limited Liability Companies – Articles of Organization – Required Information) (the “Bill”). The Bill would amend Sections 4A-204 and 4A-207 of the Corporations and Associations Article of the Maryland Code to require the Articles of Organization for a Maryland limited liability company to include “the name and home address of each member of the limited liability company,” and to make it a misdemeanor to file Articles of Organization that a person “knows or has reason to know contain incorrect information” regarding each member’s name or home address.

**The Section Council opposes the Bill.** No surrounding state, or other U.S. state to our knowledge, requires provision of the names of a limited liability company’s members to form a limited liability company, let alone their *residential* street address. This includes Delaware, District of Columbia, Pennsylvania, and Virginia. Many states require solely identification of the name and address of the company’s resident agent. While some states require the names and addresses of the initial organizer of the LLC, or a person authorized to file documents with the secretary of state, such identified person does not have to be a member who invests in the LLC. As all data filed to organize a limited liability entity can be viewed online, in Maryland through the State Department of Assessment and Taxation’s website, enactment of such an intrusive mandate would make Maryland an outlier and decrease its attractiveness as a destination to launch and grow businesses – to the detriment of Maryland’s tax base and its residents.

The Bill also is unlikely to result in full disclosure of the owners of an LLC, as for a large number of LLCs the identity of many of its ultimate members is unknown and the Bill does not require an LLC to update its membership information. Of course, such an additional requirement would be even more burdensome and likely result in many existing Maryland LLCs moving their state of formation to neighboring states that do not impose such requirements.

Delegate C. T. Wilson, Chair  
House Economic Matters Committee  
March 6, 2023  
Page 2 of 2

Furthermore, the Bill singles out one form of business entity for unfavorable treatment, without any evident basis. If enacted, Maryland LLCs that do not move their state of formation elsewhere may change to another form of entity, such as a limited partnership or corporation, to avoid the disclosure requirements proposed in the Bill. If the legislature imposes similar reporting requirements for all Maryland limited liability entities, then that would result in a larger abandonment of Maryland as a state of incorporation or formation for all entities, to even greater detriment of Maryland's fiscal health and its workers.

For the foregoing above reasons, the Business Law Section is opposed to HB 981.

Very truly yours,



Penny Somer-Greif, Chair  
MSBA Business Law Section Council

cc: MSBA Business Law Section Council

# **HB 981 Opposition NAIOP [2023].pdf**

Uploaded by: Mark Glazer

Position: UNF



March 6, 2023

The Honorable C.T. Wilson, Chair  
House Economic Matters Committee  
House Office Building, Room 231  
Annapolis, MD 21401

**Unfavorable – HB 981 – Limited Liability Companies – Articles of Organization – Required Information**

Dear, Chair Wilson and Committee Members:

The NAIOP Maryland Chapters representing more than 700 companies involved in all aspects of commercial, industrial, and mixed-use real estate recommend your unfavorable report on HB 981.

HB 981 requires the name and home address of each member of a Limited Liability Company (LLC) to be included in the articles of organization. This bill is very similar to legislation reported unfavorable by the committee during the 2013 and 2014 sessions. NAIOP requests the committee consider the following points:

- Most LLC members have limited managerial responsibility or authority over the operations of the company. Publicly filing the names and home addresses of LLC members in the articles of organization raises concerns about how this information could be misused to compromise the personal security of LLC members.
- Maryland LLCs and out of state LLCs doing business here are required to maintain a “resident agent” – a managing member or an individual or corporation who maintains a public address and serves as a point of contact. Service of process on a resident agent is binding upon the company and the LLC is required to make disclosures when involved in litigation. Companies that do not respond through their resident agent are subject to default judgments.
- Real estate is commonly held in LLCs in order to meet the conditions of banks and other lending institutions. These LLCs may be formed where the real estate is located or out of state.
- The bill imposes unique limitations on Maryland LLCs that will discourage the formation of LLCs by in-state business entities and discourage out of state companies from doing business and investing in Maryland.
- To avoid compromising the security, confidentiality, and integrity of the personal information of LLC members companies would need to create an out of state entity or restructure which may mean adopting a less desirable, type of business entity to hold real estate investments.

**For these reasons, NAIOP respectfully requests your unfavorable report on HB 981.**

Sincerely,

A handwritten signature in blue ink, appearing to read "T.M. Ballentine".

Tom Ballentine, Vice President for Policy  
NAIOP Maryland Chapters - *The Association for Commercial Real Estate*

cc: Economic Matters Committee Members  
Nick Manis – Manis, Canning Assoc.

# **HB 981 Opposition SDAT [2023].pdf**

Uploaded by: Mark Glazer

Position: UNF



**WES MOORE**  
Governor

**ARUNA MILLER**  
Lt. Governor



**MICHAEL HIGGS**  
Director

**MARCUS ALZONA**  
Deputy Director

301 W. Preston Street, Room 801, Baltimore, Maryland 21201  
Legislative Director: Jonathan.Glaser@Maryland.gov  
1-888-246-5941 TTY: 1-800-735-2258  
www.dat.maryland.gov

**HEARING DATE:** March 8, 2023

**BILL:** HB0981

**TITLE:** Limited Liability Companies - Articles of Organization - Required Information

**SDAT POSITION:** OPPOSE

HB0981 imposes a requirement that will likely result in most Maryland (Domestic) LLC's moving their "state of formation" to another state. Neither DE, DC, PA, nor VA impose a similar requirement. In fact, the Department is unable to find any state that imposes such a burdensome requirement upon registering.

The Business Law Section Council of the Maryland State Bar Association notes:

*The Bill also is unlikely to result in full disclosure of the owners of an LLC, as for a large number of LLCs the identity of many of its ultimate members is unknown and the Bill does not require an LLC to update its membership information.... Furthermore, the Bill singles out one form of business entity for unfavorable treatment, without any evident basis. If enacted, Maryland LLCs that do not move their state of formation elsewhere may change to another form of entity, such as a limited partnership or corporation, to avoid the disclosure requirements proposed in the Bill.*

For these reasons, SDAT offers this letter of opposition and urges an unfavorable vote of HB0981.

**MLTA HB0271 Testimony OPPOSITION.pdf**

Uploaded by: Mark Glazer

Position: UNF



1783 Forest Drive, Suite 305, Annapolis, MD 21401 | (443) 620-4408 ph. | (443) 458-9437 fax

**To:** Members of the Economic Matters Committee  
**From:** MLTA Legislative Committee  
**Date:** February 2, 2024 [Hearing date: February 6, 2024]  
**Subject:** **HB 271**– Limited Liability Companies - Articles of Organization - Required Information

**Position:** **UNFAVORABLE**

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The Maryland Land Title Association (MLTA) is a professional organization working on behalf of title industry service providers and consumers, and is comprised of title agents, abstractors, attorneys, and underwriters. We are submitting this memorandum as written testimony **OPPOSING** HB 271.

The same form and similar substance of House Bill 271 was proposed during the 2023 General Assembly Session introduced as HB 981. At that time, many stakeholders vehemently opposed the passage of the bill. For those same reasons as previously stated (see additional attachments), we now reemphasize our opposition and for the following reasons.

The Bill would amend Sections 4A-204 and 4A-207 of the Corporations and Associations Article of the Maryland Code to require the Articles of Organization for a Maryland limited liability company to include "the name and home address of each member of the limited liability company," and to make it a misdemeanor to file Articles of Organization that a person "knows or has reason to know contain incorrect information" regarding each member's name or home address ("A PERSON WHO VIOLATES THIS SUBSECTION IS GUILTY OF A MISDEMEANOR AND ON CONVICTION IS SUBJECT TO A FINE NOT EXCEEDING \$5,000.").

There are no similar bills within the Mid Atlantic region that impose such restrictive oversight on private entities. Entities who, for a variety of reasons, wish to keep the inner workings and structure confidential from the public in order to avoid unwarranted solicitations, harassment and security breaches of private information.

Moreover, many of the LLC's created in the State have structures so complex that the disclosure of any party's personal information would be of no use for the purpose with which the bill was created. Many "participants" in an LLC are often uninvolved in the daily operations of any LLC. Their roles are relegated to silent partners. Any information gleaned from their involvement would be of no use to the public. Moreover, inner creditor agreements within the structure create safeguards against confidential information. Any required release of which would immediately threaten the reporting agent to sanctions, lawsuits and dismissal and expulsion from the LLC.

Fiscally speaking, this bill would have a negative impact on the filing fees generated as part of the process to register LLC's in the State and potentially any personal property tax return revenue that could have been collected but for the LLC filing and maintaining foreign residency.

The bill also disproportionately discriminates against any other form of corporate structure and which appears to disparately impact the treatment of LLC's.

Additionally, the bill would pose a challenge to our members and practitioners to assist with the filing of new LLC's. It would dissuade them from helping customers file for LLC registration for fear of the onerous and draconian fines and criminal penalties. Especially for something as simple as an "administrative" procedure.

As the Business Law Section Council of the Maryland State Bar Association notes:

*"The Bill also is unlikely to result in full disclosure of the owners of an LLC, as for a large number of LLCs the identity of many of its ultimate members is unknown and the Bill does not require an LLC to update its membership information.... Furthermore, the Bill singles out one form of business entity for unfavorable treatment, without any evident basis. If enacted, Maryland LLCs that do not move their state of formation elsewhere may change to another form of entity, such as a limited partnership or corporation, to avoid the disclosure requirements proposed in the Bill."*

Finally, this bill fails to discourage foreign entities from registering in Maryland without compliance. The unintended consequence of this bill would result in entities filing corporate governance registrations in adjoining states and simply re-registering in Maryland to conduct business without the necessary compliance of this bill.

For the foregoing above reasons, the Maryland Land Title Association is opposed to and urges an unfavorable vote on House Bill 271

# **HB0271 - LLC Articles of Organization - Required I**

Uploaded by: Tom Ballentine

Position: UNF



February 6, 2024

The Honorable C.T. Wilson, Chair  
House Economic Matters Committee  
House Office Building, Room 231  
Annapolis, MD 21401

**Oppose – HB 271 – Limited Liability Companies – Articles of Organization – Required Information**

Dear, Chair Wilson and Committee Members:

The NAIOP Maryland Chapters representing more than 700 companies involved in all aspects of commercial, industrial, and mixed-use real estate recommend your unfavorable report on HB 271.

HB 981 requires the name and home address of each member of a Limited Liability Company (LLC) to be included in the articles of organization. This bill is very similar to legislation reported unfavorable by the committee during the 2013, 2014 and 2023 sessions. NAIOP requests the committee consider the following points:

- Maryland LLCs and out of state LLCs doing business here are required to maintain a “resident agent” – a managing member or an individual or corporation who maintains a public address and serves as a point of contact. Service of process on a resident agent is binding upon the company and the LLC is required to make disclosures when involved in litigation. Companies that do not respond through their resident agent are subject to default judgments.
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- The bill imposes unique limitations on Maryland LLCs that will discourage the formation of LLCs by in-state business entities and discourage out of state companies from doing business and investing in Maryland.
- Most LLC members have limited managerial responsibility or authority over the operations of the company. Publicly filing the names and home addresses of LLC members in the articles of organization raises concerns about how this information could be misused to compromise the personal security of LLC members.
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Sincerely,

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Tom Ballentine, Vice President for Policy  
NAIOP Maryland Chapters - *The Association for Commercial Real Estate*

cc: Economic Matters Committee Members  
Nick Manis – Manis, Canning Assoc.