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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.

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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.

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