



MLSC

MARYLAND LEGAL SERVICES CORPORATION

IOLTA - INTEREST ON LAWYER TRUST ACCOUNTS

House Bill 122

House Government, Labor, and Elections Committee

Hearing Date: January 27, 2026

Position: Unfavorable

The Maryland Legal Services Corporation (MLSC) respectfully submits opposition to House Bill 122. MLSC's mission is to ensure low-income Marylanders have access to stable, efficient and effective civil legal assistance through the distribution of funds to nonprofit legal services organizations. It currently funds 50 organizations to work toward that mission across the entire state. The Maryland General Assembly created MLSC in 1982 and since that time MLSC grantees have assisted well over 4 million Marylanders with a wide variety of civil legal needs – closing over 80,000 cases in 2025 alone.

HB 122 would prohibit any State agency or other State entity from providing State grant funding to a nonprofit unless it is in good standing with the IRS, current on all tax obligations, has a current charter on file with SDAT, and has filed its most recent required Form 990 or Maryland personal property return. HB 122 may read as a straightforward funding eligibility rule, but in practice it creates a new cutoff that can be used to chill nonprofit work and discourage donors and partners from supporting organizations that take on controversial issues. It is also largely duplicative: nonprofits already must comply with existing federal and state requirements to maintain IRS status, stay current on required filings, and keep their corporate standing/charter in order.

By tying State aid to administrative status that can be delayed, disputed, or impacted by technical lapses, the bill increases uncertainty and invites selective enforcement—especially against smaller nonprofits with limited administrative capacity. The result is less capacity to deliver services, meaning the communities these organizations serve ultimately lose support and access to critical resources.

For these reasons, MLSC urges an **unfavorable report on HB122**. If we can provide any further information or assistance, please do not hesitate to contact Michelle Siri, Executive Director, at 410-576-9494 x1009, or msiri@mlsc.org.