Alert
Business Bills Passed in 2013 General Assembly

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Linowes and Blocher LLP Attorneys Worked on Business Bills Passed in 2013 General Assembly

Two pieces of legislation affecting business entities in Maryland were passed in this year's 2013 General Assembly, which attorneys from Linowes and Blocher LLP assisted in drafting through committees of the Maryland State Bar Association Business Law Section.

Entity Conversion Bill (HB 1140 / SB 697)

This Bill permits most forms of incorporated and unincorporated Maryland business entities to convert into a different form of business entity (e.g., corporation into partnership, limited liability company into corporation, etc.) whether organized under Maryland law or under the law of another jurisdiction. Unlike a merger where the successor entity is not the same legal entity as the original entity, in a conversion, the converting entity remains the same before and after the conversion is completed.

A conversion may be more desirable than a merger for many reasons. For example, an entity may wish to reorganize as a different type of entity for income tax purposes without terminating its existence (e.g., a foreign investor might not be permitted under the laws of his domicile to invest in a limited liability company, so it may be desirable to convert the LLC into a partnership to accommodate the foreign investor's legal considerations). An entity which has existing government contracts may desire to change its business entity form without having to novate these contracts. Also, a conversion would permit an entity to convert its domestic jurisdiction without changing the entity. For example, a securitized lender requires a borrower to relocate its domestic jurisdiction to Delaware, citing that Delaware law is more established. In the past, this type of request might have led to complicated, time-intensive, and expensive structural changes which required assignments of interests and multiple tiers of entities in order to establish the borrower in Delaware. Now, because of the Conversion Bill, a borrower may simply convert its domestic jurisdiction to Delaware without any further restructuring.

These proposed amendments would bring Maryland law into line with the laws of other U.S. jurisdictions, including Delaware, the District of Columbia, Pennsylvania, and Virginia, which already provide for conversion, including domestication of entities into and out of the state.

Corporate Electronic Filing Bill (HB 702 / SB 622)

This Bill, which has already been signed by Gov. O'Malley, authorizes the State Department of Assessments and Taxation ("SDAT") to implement an on-line, electronic filing system for business entity filings (which system SDAT has begun to implement already), and for the first time, allows for the approval for legal sufficiency by the SDAT in advance of the actual filing of business entity filings for an additional filing fee in order that such documents may be "pre-cleared."

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Each of these Bills take effect October 1, 2013. For more information concerning either Bill, please contact Demetri Datch at 301-961-5164 or ddatch@linowes-law.com or Jack Orrick at 301-961-5213 or jorrick@linowes-law.com.

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