



February 21, 2024

Rules and Executive Nominations Committee
Delegate Anne Healey
H-4 State House
100 State Circle
Annapolis, Maryland 21401

RE: HB 1471 - Procurement Contracts - Disclosures to Secretary of State - Beneficial Ownership- Support

Dear Delegate Healey:

In support of SB 0363, the Carroll County Chamber of Commerce offers the following comments:

While owners having 5% ownership typically do not make management decisions or legally bind the company in any way, the current law could subject them to criminal convictions and fines. Senate Bill 363 would protect 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, it is unreasonable to subject them to Maryland's current Beneficial Ownership rules. At that level of ownership, it is highly unlikely that they will be privy to any agreements the business has with the State, no matter the dollar amount.

The Federal Government has seen that its Beneficial Ownership rules were overly burdensome for business owners. As a result, in 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); **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 in line with federal standards and protect an owner/officer having less than 25% ownership with no control over the company from potential criminal penalties and fines.

The Carroll County Chamber of Commerce, a business advocacy organization of nearly 700 members, supports this bill and therefore, requests that you give it a favorable report.

Sincerely,

A handwritten signature in black ink that reads "Mike McMullin".

Mike McMullin
President
Carroll County Chamber of Commerce

CC: Senator Justin Ready
Delegate April Rose

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