

Political Law Compliance and Investigations Update

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Maryland Amends Pay-to-Play Law To Require Companies To Disclose Certain Beneficial Owners

As a result of recent statutory amendments that will go into effect on July 1, 2024, companies registered and filing pay-to-play reports in Maryland will be required to list on their registration certain beneficial owners, along with any resident agent they have in the state. This information is currently captured on a financial disclosure form filed by state-level contractors with the Maryland secretary of state, which this new law eliminates. Please note that although these amendments do not take effect until July 1, the Maryland State Board of Elections has already updated the registration in its online portal to allow filers to add beneficial owners and any resident agent in the state.

Current Law

Maryland law currently imposes two related reporting requirements for companies doing public business in the state.

- **Pay-to-Play Reports Filed With the State Board of Elections:** As we have described in [previous mailings](#), under Maryland's pay-to-play law, a company must register and file disclosure reports with the State Board of Elections if the company (including any subsidiary in which it owns or controls 30% or more) has a state or local contract of \$200,000 or more.

Governmental entities are required to have contractors certify that they filed an initial pay-to-play report.

- **Financial Disclosure Filed With the Secretary of State:** Under the state procurement code, a company that, during a calendar year, enters into one or more contracts, leases or other agreements with the state totaling \$200,000 or more is required to file a financial disclosure form with the Maryland secretary of state. The form must include the name and address of the company's officers; its resident agent in the state, if any; and its beneficial owners, if known.

The company's "beneficial owners," for purposes of this form, are (i) owners of 5% or more of the company, (ii) owners of 5% or more of one or more entities in a chain of parent and subsidiary entities, any one of which participates in 5% or more of the capital or profits of the company, and (iii) holders of an interest substantially equivalent to ownership of 5% or more of the company.

Amended Law

The amended law replaces the financial disclosure form filed with the secretary of state with a revised registration for pay-to-play filings and imposes a new certification requirement.

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- **Revised Pay-to-Play Registration:** A company's registration for pay-to-play filings also will be required to include the company's beneficial owners (as defined above), if known, and any resident agent located in the state, along with any other information required by the State Board of Elections. However, the amended law will not require disclosure of officers as is currently required on the secretary of state disclosure. Note that filers will be required to update information about their beneficial owners, if there are changes, in a manner to be prescribed in a Board of Elections regulation.

- **Certification Requirement:** In addition to the existing certification requirement described above, the amended law requires a governmental entity that has awarded a state contract subject to approval by the Maryland Board of Public Works (BPW), which approves most state contracts exceeding \$200,000, to require the company to certify to the BPW that it has filed an initial pay-to-play report.

We are monitoring for further information regarding these developments.

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