

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1004-01
Bill No.: HB 406
Subject: Business and Commerce; Veterans
Type: Original
Date: February 21, 2017

Bill Summary: This proposal changes the laws regarding business fees so that certain fees are waived for veterans.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue	(\$187,700)	(\$250,383)	(\$278,832)
Total Estimated Net Effect on General Revenue	(\$187,700)	(\$250,383)	(\$278,832)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Technology Trust	(\$55,658)	(\$33,780)	(\$36,950)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$55,658)	(\$33,780)	(\$36,950)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on FTE	0	0	0

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of the Secretary of State (SOS)** assume this proposal would waive certain fees for the following types of businesses for veterans, members of the Missouri National Guard, or any other Active Duty Military.

- Regarding the organization of limited liability companies and name reservations in Chapter 347.
- Regarding the organization of corporations in Chapter 351.
- Regarding the organization of health services corporations in Chapter 354,
- Regarding the organization of not-for-profit corporations in Chapter 355
- Regarding the organization of cooperative associations in Chapter 357
- Regarding the organization of limited liability partnerships in Chapter 358,
- Regarding the organization of limited partnerships in Chapter 359,
- Regarding the organization of rural electric cooperatives in Chapter 394, and
- Regarding the registration and renewal of fictitious names in Chapter 417.

SOS states there will be necessary changes to SystemWORKS, the data management system used to capture and maintain the data captured by the Business Services Division. These changes could amount to a one-time charge estimated at \$30,000.

SOS states in 2012, The SBA Office of Advocacy estimated that veteran owned businesses represented 9.1% of all businesses in the United States. This percentage was used when approximating the number of veteran-associated registrations in Missouri. The actual percentage of veteran owned businesses in Missouri could be higher or lower which would impact the accuracy of these projections.

It is assumed that the number of businesses who will take advantage of this incentive will increase over time as public awareness increases. In light of this, an adoption rate ranging from 65% in fiscal year 2018 to 75% in fiscal year 2020 was assumed. The assumed adoption rate increases annually at 5% increments.

ASSUMPTION (continued)

Methodology

The Business Services Division began by observing projections for the total number of expected filings for FY 2018 through FY 2020 for each of the types of filing affected by this legislation. Those projections were then adjusted to reflect the 9.1% of businesses owned by veterans and the expected rate at which veterans would take advantage of the business creation incentives provided by this legislation. The impact to both the General Revenue Fund and the Technology Trust Fund, including software changes, are projected to be as follows:

IMPACT TO GENERAL REVENUE	FY18 *	FY19	FY20
LLP	\$ 757.59	\$ 966.01	\$ 1,015.29
LLC	\$ 164,836.12	\$ 222,534.87	\$ 249,917.14
General Corporations	\$ 14,452.59	\$ 17,909.81	\$ 18,269.37
Non-Profit Corporations	\$ 2,993.43	\$ 3,887.82	\$ 4,247.97
Fictitious Names	\$ 4,072.83	\$ 4,281.79	\$ 4,475.84
Name Reservations	\$ 587.56	\$ 802.62	\$ 906.36
<i>Annual Total Impact</i>	<i>\$ 187,700.12</i>	<i>\$ 250,382.92</i>	<i>\$ 278,831.97</i>

IMPACT TO TECH TRUST FUND	FY18 *	FY19	FY20
Fictitious Names	\$ 8,483.33	\$ 10,705.00	\$ 11,190.00
General Corporations	\$ 1,083.33	\$ 1,345.00	\$ 1,370.00
LLC	\$ 12,366.67	\$ 16,695.00	\$ 18,750.00
LLP	\$ 37.50	\$ 50.00	\$ 50.00
Name Reservations	\$ 2,937.50	\$ 4,015.00	\$ 4,530.00
Non-Profit Corporations	\$ 750.00	\$ 970.00	\$ 1,060.00
<i>Annual Total Impact</i>	<i>\$ 25,658.33</i>	<i>\$ 33,780.00</i>	<i>\$ 36,950.00</i>

*Because the proposed legislation would not go into effect until August 28, 2017, estimations for FY18 impact have been reduced.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
GENERAL REVENUE FUND			
<u>Loss</u> - SOS - certain business fees waived for veterans	<u>(\$187,700)</u>	<u>(\$250,383)</u>	<u>(\$278,832)</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$187,700)</u>	<u>(\$250,383)</u>	<u>(\$278,832)</u>
TECHNOLOGY TRUST FUND			
<u>Cost</u> - SOS - changes to the data management system	(\$30,000)	\$0	\$0
<u>Loss</u> - SOS - certain business fees waived for veterans	<u>(\$25,658)</u>	<u>(\$33,780)</u>	<u>(\$36,950)</u>
ESTIMATED NET EFFECT ON THE TECHNOLOGY TRUST FUND	<u>(\$55,658)</u>	<u>(\$33,780)</u>	<u>(\$36,950)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small business started by veterans would have fewer startup costs because the fees for business creation would be waived.

FISCAL DESCRIPTION

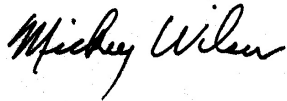
This bill waives specified business fees when a specified organizer, majority shareholder, officer, director, or partner of a company, corporation, health services corporation, nonprofit corporation, cooperative company, or partnership is a veteran, resides in Missouri, and provides proof of military service to the Secretary of State.

FISCAL DESCRIPTION (continued)

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
February 21, 2017

Ross Strobe
Assistant Director
February 21, 2017