

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4138-01
Bill No.: HB 1590
Subject: Corporations; Secretary of State; Business and Commerce
Type: Original
Date: January 31, 2020

Bill Summary: This proposal changes the laws regarding the regulation of certain companies.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2021	FY 2022	FY 2023	Fully Implemented (FY 2024)
General Revenue	(\$424,420)	(\$300,219)	\$65,414	\$655,959
Total Estimated Net Effect on General Revenue	(\$424,420)	(\$300,219)	\$65,414	\$655,959

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2021	FY 2022	FY 2023	Fully Implemented (FY 2024)
Technology Trust	\$180	\$216	\$81,129	\$504,584
Total Estimated Net Effect on Other State Funds	\$180	\$216	\$81,129	\$504,584

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2021	FY 2022	FY 2023	Fully Implemented (FY 2024)
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2021	FY 2022	FY 2023	Fully Implemented (FY 2024)
Total Estimated Net Effect on FTE	0	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 2021	FY 2022	FY 2023	Fully Implemented (FY 2024)
Local Government		\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Secretary of State (SOS)** assume Total State General Revenue regarding these particular filings will decrease, for Limited Liability Company, and decrease for Limited Liability Partnerships.

A new filing of Information Statement for LLCs will start in 2023 and affect LLCs every five years thereafter for each new registration resulting in a positive fiscal impact.

These estimates assume various rate of participation and use an averaging of historical data to determine estimations.

347.044-347.183 (LLC)

	<u>GR 101</u>	<u>TECH 266</u>
FY2021	\$(423,855)	\$180
FY2022	\$(299,629)	\$216
FY2023	\$(260,216)	\$225

358.460-358.470 (LLP)

	<u>GR 101</u>	<u>TECH 266</u>
FY2021	\$(565)	
FY2022	\$(590)	
FY2023	\$(545)	

Fiscal impact for the year FY2023-FY2026 347.044-347.183 (LLC)

	<u>GR 101</u>	<u>TECH 266</u>
FY2023	\$326,175	\$165,904
FY2024	\$655,959	\$ 504,584
FY2025	\$359,515	\$ 276,550
FY2026	\$303,875	\$ 276,550

Secretary of State's Office is a silo IT department. All changes to software would require working with a third party vendor and/or the Information Technology department. Resulting in an estimated expenditure of \$85,000.

ASSUMPTION (continued)

Oversight will reflect the fiscal impact as provided by SOS.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023	Fully Implemented (FY 2024)
GENERAL REVENUE				
<u>Loss - SOS - fee revenue reduction</u>	(\$424,420)	(\$300,219)	(\$260,761)	
<u>Income - SOS - fee revenue for LLC</u>	<u>\$0</u>	<u>\$0</u>	<u>\$326,175</u>	<u>\$655,959</u>
ESTIMATED NET EFFECT TO GENERAL REVENUE	<u>(\$424,420)</u>	<u>(\$300,219)</u>	<u>\$65,414</u>	<u>\$655,959</u>
TECHNOLOGY TRUST FUND				
<u>Loss - SOS - filing fees</u>	\$180	\$216	\$166,129	\$504,584
<u>Cost - SOS software changes</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$85,000)</u>	<u>\$0</u>
ESTIMATED NET EFFECT TO THE TECHNOLOGY TRUST FUND	<u>\$180</u>	<u>\$216</u>	<u>\$81,129</u>	<u>\$504,584</u>

FISCAL IMPACT -
Local Government

FY 2021 (10 Mo.)	FY 2022	FY 2023	Fully Implemented (FY 2024)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

The fees that small businesses pay to the Office of the Secretary of State could change as a result of this proposal.

FISCAL DESCRIPTION

This bill changes the filing fees for specified company filings filed with the Secretary of State (SOS) and creates an information statement to be filed every five years by every limited liability company and foreign limited liability company operating in the state. The bill adds to the filings that may be filed electronically with the SOS and allows the SOS to collect a fee for filing a withdrawal of an erroneously or accidentally-filed notice of winding up or article of termination. The bill includes procedures for the SOS to cancel the registration of any limited liability company that does not file updated information statements, and a reinstatement process, with fees.

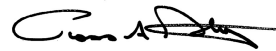
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State



Julie Morff
Director
January 31, 2020



Ross Strobe
Assistant Director
January 31, 2020