

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4138-02  
Bill No.: HCS for HB 1590  
Subject: Corporations; Secretary of State; Business and Commerce  
Type: Original  
Date: February 24, 2020

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

**FISCAL SUMMARY**

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

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>				
FUND AFFECTED	FY 2021	FY 2022	FY 2023	Fully Implemented (FY 2024)
Technology Trust Fund (0266)	\$180	\$216	\$81,129	\$504,584
<b>Total Estimated Net Effect on Other State Funds</b>	<b>\$180</b>	<b>\$216</b>	<b>\$81,129</b>	<b>\$504,584</b>

Numbers within parentheses: ( ) indicate costs or losses. This fiscal note contains 7 pages.

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

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>				
<b>FUND AFFECTED</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>Fully Implemented (FY 2024)</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>				
<b>FUND AFFECTED</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>Fully Implemented (FY 2024)</b>
<b>Local Government</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**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>
<b>FY2021</b>	\$(423,855)	\$180
<b>FY2022</b>	\$(299,629)	\$216
<b>FY2023</b>	\$(260,216)	\$225

358.460-358.470 (LLP)

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

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

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

**Section 362.1030**

Officials from the **Office of the Secretary of State** assume the proposal will have no fiscal impact on their organization.

**Oversight** notes that Section 362.1030.1 states that any moneys remaining in the Family Trust Company Fund (0810) at the end of the biennium that exceed twenty thousand dollars shall revert to the credit of the general revenue fund. The Family Trust Company Fund had a balance of \$7,223.18 as of January 2020 (and \$7,148 at June 30, 2019). Oversight assumes when the balance exceeds twenty thousand during the biennium the additional funds will be swept to general revenue. Oversight notes the balances of the fund has not been swept into General Revenue at the end of either fiscal years 2018 or 2019.

In response to similar legislation HB 2461, officials from the **Department of Revenue** assumed the proposal will have no fiscal impact on their organization.

Officials from the **Department of Commerce & Insurance** and **Office of the State Treasurer** both assume the proposal will have no fiscal impact on their organization.

**Oversight** notes that the Office of the Secretary of State, Department of Revenue, Department of Commerce & Insurance and Office of the State Treasurer have stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for these agencies.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023	Fully Implemented (FY 2024)
<b>GENERAL REVENUE</b>				
<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>
<b>ESTIMATED NET EFFECT TO GENERAL REVENUE</b>	<b><u>(\$424,420)</u></b>	<b><u>(\$300,219)</u></b>	<b><u>\$65,414</u></b>	<b><u>\$655,959</u></b>
<b>TECHNOLOGY TRUST FUND</b>				
<u>Income - 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>
<b>ESTIMATED NET EFFECT TO THE TECHNOLOGY TRUST FUND</b>	<b><u>\$180</u></b>	<b><u>\$216</u></b>	<b><u>\$81,129</u></b>	<b><u>\$504,584</u></b>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2021 (10 Mo.)	 FY 2022	 FY 2023	 Fully Implemented (FY 2024)
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

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  
Department of Revenue  
Office of the State Treasurer  
Department of Commerce & Insurance



Julie Morff  
Director  
February 24, 2020



Ross Strobe  
Assistant Director  
February 24, 2020

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