

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4727-02  
Bill No.: SB 1010  
Subject: Secretary of State: Corporations  
Type: Original  
Date: March 10, 2006

---

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
General Revenue	\$150,000	\$150,000	\$150,000
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$150,000</b>	<b>\$150,000</b>	<b>\$150,000</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
Technology	\$7,500	\$7,500	\$7,500
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$7,500</b>	<b>\$7,500</b>	<b>\$7,500</b>

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

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
Unemployment Compensation Trust	(\$2,350,000)	(\$2,350,000)	(\$2,350,000)
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>(\$2,350,000)</b>	<b>(\$2,350,000)</b>	<b>(\$2,350,000)</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**FISCAL ANALYSIS**

**ASSUMPTION**

Officials of the **Department of Revenue** assume no fiscal impact.

Officials of the **Office of the Secretary of State - Corporations Division** assume there would be a slight increase in the number of limited liability company filings. Since online filings are now available for LLC's, the SOS will absorb the increase in filings.

It is estimated that limited liability company creations will increase by 5%; therefore, filing fees will increase by an estimated \$157,500 annually. \$150,000 to the State General Revenue Fund, and \$7,500 to the Technology Fund.

Officials of the **Department of Labor and Industrial Relations** stated that currently language exists in chapter 347 stating that limited liability companies (LLC) are to be classified and treated on a basis consistent with their classification for federal income tax purposes. This language is removed and new language is added stating that "no member of a limited liability company shall be found liable for the taxes imposed by any of the sections described in paragraph (b) of subdivision (2) of subsection 2 of this section solely on the basis of such

ASSUMPTION (continued)

member's membership in a limited liability company." Therefore, if the LLC does not pay its unemployment taxes, the Division of Employment Security could not hold these members liable for the payment of the tax. This will decrease the Division's ability to collect unemployment taxes from LLCs classified as partnerships and the statutory change will negatively impact the Unemployment Compensation Trust Fund.

Officials assume that those LLCs which are currently monetarily delinquent would have to be written off as uncollectible. Currently this amount is approximately \$2,350,000 annually.

Officials stated that the long range implications would be that the amount of employer contributions collected and deposited into the unemployment compensation trust fund (UCTF) would decrease, reducing the solvency of the fund.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
---	---------------------	---------	---------

**GENERAL REVENUE FUND**

<b><u>Income</u></b> to Secretary of State From filing fees.	<u>\$150,000</u>	<u>\$150,000</u>	<u>\$150,000</u>
---	------------------	------------------	------------------

<b>ESTIMATED NET EFFECT TO GENERAL REVENUE FUND</b>	<b><u>\$150,000</u></b>	<b><u>\$150,000</u></b>	<b><u>\$150,000</u></b>
---	-------------------------	-------------------------	-------------------------

**TECHNOLOGY FUND**

<b><u>Income</u></b> to Technology Fund From increase in filing fees	<u>\$7,500</u>	<u>\$7,500</u>	<u>\$7,500</u>
---	----------------	----------------	----------------

<b>ESTIMATED NET EFFECT TO TECHNOLOGY FUND</b>	<b><u>\$7,500</u></b>	<b><u>\$7,500</u></b>	<b><u>\$7,500</u></b>
--	-----------------------	-----------------------	-----------------------

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
---	---------------------	---------	---------

**FEDERAL FUNDS**

**UNEMPLOYMENT  
 COMPENSATION TRUST FUND**

**Loss of Revenue to Unemployment  
 Compensation Trust Fund**

From collection of unemployment taxes from LLC's.	<u>(\$2,350,000)</u>	<u>(\$2,350,000)</u>	<u>(\$2,350,000)</u>
--	----------------------	----------------------	----------------------

<b>ESTIMATED NET EFFECT TO FEDERAL FUNDS</b>	<b><u>(\$2,350,000)</u></b>	<b><u>(\$2,350,000)</u></b>	<b><u>(\$2,350,000)</u></b>
--	-----------------------------	-----------------------------	-----------------------------

<u>FISCAL IMPACT - Local Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
---	---------------------	---------	---------

	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
--	------------	------------	------------

FISCAL IMPACT - Small Business

There will be an unknown positive impact due to the change in the definition of "responsible party" for tax liability purposes, the requirement to file only one copy of the articles of acceptance rather than two, and to continue the business of a limited partnership in the event of the death of the sole general partner.

DESCRIPTION

This act defines responsible persons for limited liability companies for the purposes of withholding and paying taxes. Responsible persons of a limited liability company where the management of the company is vested in managers, shall be those managers. In a limited liability company where management is not vested in managers, a responsible person shall be a responsible member as indicated in the company's articles of organization or one who has direct control, supervision, or responsibility for filing returns or payments.

DESCRIPTION (continued)

Under the act, members of a limited liability company shall not be liable for taxes solely based on such member's membership in the company unless that member is a responsible person.

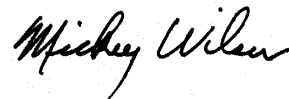
The act repeals language requiring duplicate filings for corporations and partnerships for articles of acceptance, resignation of registered agents, articles of merger, and changes of address for agents and registered offices.

If all general partners withdraw from a limited partnership, and the partners agree to continue business, a certificate of amendment must be signed by the remaining partners designating themselves in the certificate as general partners. The certificate must also state the events of the withdrawal of the general partners.

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 - Corporations  
Department of Labor and Industrial Relation  
Department of Revenue



Mickey Wilson, CPA  
Director  
March 10, 2006