

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0213-01
Bill No.: SB 106
Subject: Business and Commerce; Fees; Licenses-Liquor and Beer; Licenses-Miscellaneous; Licenses-Professional; Secretary of State
Type: Original
Date: January 28, 2015

Bill Summary: This proposal waives Secretary of State fees for new businesses and requires business licenses to be issued within sixty days.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(\$79,400)	(\$29,400)	(\$29,400)
Total Estimated Net Effect on General Revenue	(\$79,400)	(\$29,400)	(\$29,400)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Secretary of State Technology Fund	(\$9,600)	(\$9,600)	(\$9,600)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$9,600)	(\$9,600)	(\$9,600)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
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 2016	FY 2017	FY 2018
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of the Secretary of State (SOS)** assume this proposal states that "all fees the SOS requires a newly formed business entity to remit in order to conduct business in the state of Missouri shall be waived during the entity's first year of operation..." The only required fee for newly formed business entities within their first year of operations are annual reports. Corporations and nonprofits both have to file these reports, yet LLCs and a few other business entities do not. General businesses/corporations pay a filing fee (\$20 online, \$45 by mail) for all annual reports. Nonprofits also pay a filing fee for annual reports (\$10 online, \$15 mail). Five dollars of those fees are paid to the Technology Fund. SOS calculated the total number of new corporations this legislation would exempt from paying the initial annual report, which is approximately 8,050 new businesses a year - 5,300 corporations and 2,750 nonprofits. Our estimates are that roughly 80% of annual reports are filed online.

From the 5,300 new businesses that file annual reports, only those businesses that will employ ten or more individuals will qualify for an exemption. The Department of Economic Development (DED) estimates that only 24% of Missouri businesses employ ten or more individuals. However, this proposal seems to defer to the new business as to whether it will employ that many individuals at some time in the future. There is no way to know what percentage of new businesses and non-profits would indicate they will employ ten or more people and nothing in this proposal instructs SOS on how to make the determination. For these reasons, SOS utilized the percentage DED provided as a rough estimate of how many corporations would qualify.

SOS would have to contract with a vendor to change the automated processes performed by the business software. This includes removing certain notifications sent to businesses about annual report requirements. The process is complex because this proposal is not uniform in how all business entities are to be treated. Only businesses or nonprofits that will employ ten or more individuals will receive a one-time savings of \$10, \$15, \$20, or \$45. We anticipate a cost to SOS of \$50,000 to change the current software operated by the Business Services Division.

SOS multiplied the initial 8,050 number of businesses by their respective filing fee rates (\$10, \$15, \$20 or \$45), and then multiplied that number by 24%. The final effect on Total State Revenue is \$39,000 annually plus \$50,000 in the first year for software costs.

ASSUMPTION (continued)

Officials at the **Joint Committee on Administrative Rules, Platte County Board of Election Commission, St. Louis County Board of Election Commission, the Department of Economic Development, and the Department of Revenue** assume no fiscal impact from this proposal to their respective agencies.

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Oversight assumes local will be able to meet the 60 day window in §67.132 without incurring additional expenses.

Officials at the following boards of election commission: Kansas City Board of Election Commission, St. Louis City Board of Election Commission, Clay County Board of Election Commission, and Jackson County Board of Election Commission did not respond to **Oversight's** request for fiscal impact.

Counties

Officials at the following counties: Andrew, Atchison, Audrain, Barry, Bollinger, Boone, Buchanan, Callaway, Camden, Cape Girardeau, Carroll, Cass, Clay, Cole, Cooper, DeKalb, Dent, Franklin, Greene, Holt, Jackson, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Marion, McDonald, Miller, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Phelps, Platte, Pulaski, Scott, Shelby, St. Charles, St. Louis, St. Francois, Taney, Warren, Wayne and Worth did not respond to **Oversight's** request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
GENERAL REVENUE			
<u>Revenue Reduction</u> - waived filing fee	(\$29,400)	(\$29,400)	(\$29,400)
<u>Costs</u> - Secretary of State - one-time software programming	<u>(\$50,000)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$79,400)</u>	<u>(\$29,400)</u>	<u>(\$29,400)</u>
SECRETARY OF STATE TECHNOLOGY FUND			
<u>Revenue Reduction</u> - waived filing fee	<u>(\$9,600)</u>	<u>(\$9,600)</u>	<u>(\$9,600)</u>
ESTIMATED NET EFFECT ON SECRETARY OF STATE TECHNOLOGY FUND	<u>(\$9,600)</u>	<u>(\$9,600)</u>	<u>(\$9,600)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

All new businesses that are corporations and intend to employ ten or more employees will save \$20 or \$45 in the initial year of their creation. However, any small businesses that intended to employ nine or fewer employees would not see any savings.

FISCAL DESCRIPTION

All fees that new businesses are required to pay the Secretary of State to begin operating shall be waived for the first year of operation as long as the new business employs at least 10 employees.

FISCAL DESCRIPTION (continued)

Political subdivisions shall not take more than 60 days to issue business permits, licenses, or other certification required for businesses to begin operating. If at the end of that period, the political subdivision determines that the business has not adhered to the requirements for the respective issuance, the political subdivision shall notify the applying entity in writing explaining the deficiency.

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

Joint Committee on Administrative Rules
Department of Revenue
Office of the Secretary of State
Department of Economic Development
Platte County Board of Election Commission
St. Louis County Board of Election Commission



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Director
January 28, 2015

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January 28, 2015