

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4490-03
Bill No.: SB 799
Subject: Business and Commerce; Banks and Financial Institutions; Cooperatives;
 Corporations; Secretary of State; Veterans
Type: Original
Date: January 20, 2016

Bill Summary: This proposal modifies the law relating to business fees.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
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 2017	FY 2018	FY 2019
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 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
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 2017	FY 2018	FY 2019
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 assumes there will be necessary changes to the data management system used by the Business Services Division. These changes could amount to a one-time charge estimated at \$30,000. This charge would impact the Technology Trust Fund Account.

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.

SOS assumes that the number of businesses who will take advantage of this incentive will increase over time as the public awareness increases. In light of this, an adoption rate ranging from 65% in fiscal year 2017 to 75% in fiscal year 2019 was assumed. The assumed adoption rate increases annually at 5% increments.

The Business Services Division began by observing projections for the total number of expected filings for FY 2017 through FY 2019 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

ASSUMPTION (continued)

the expected rate at which Veterans would take advantage of the business creation incentives provided by this legislation. The impact to the both General Revenue and the Technology Trust Fund, including software changes, are projected to be as follows:

<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
\$243,358	\$284,163	\$315,782

Oversight asked SOS for further explanation of the fiscal impact of this legislation but they did not respond. Oversight cannot verify the breakdown between General Revenue and the Technology Trust Fund without SOS's response. Therefore, Oversight will show the fiscal impact as estimated by SOS.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
GENERAL REVENUE			
<u>Revenue Reduction - SOS - waiving of certain fees for veterans, members of the Missouri National Guard, or any other Active Duty Military</u>	<u>(\$187,700)</u>	<u>(\$250,383)</u>	<u>(\$278,832)</u>
ESTIMATED NET EFFECT TO GENERAL REVENUE	<u>(\$187,700)</u>	<u>(\$250,383)</u>	<u>(\$278,832)</u>
TECHNOLOGY TRUST FUND			
<u>Cost - SOS - computer programming - data management system</u>	<u>(\$30,000)</u>	\$0	\$0
<u>Revenue Reduction - SOS - waiving of certain fees for veterans, members of the Missouri National Guard, or any other Active Duty Military</u>	<u>(\$25,658)</u>	<u>(\$33,780)</u>	<u>(\$36,950)</u>
ESTIMATED NET EFFECT TO TECHNOLOGY TRUST FUND	<u>(\$55,658)</u>	<u>(\$33,780)</u>	<u>(\$36,950)</u>

FISCAL IMPACT - Local Government

FY 2017
(10 Mo.)

FY 2018

FY 2019

\$0

\$0

\$0

FISCAL IMPACT - Small Business

Small businesses started by Veterans would have fewer startup costs because the fees for business creation would be waived under this proposed legislation.

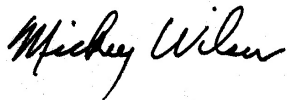
FISCAL DESCRIPTION

This act 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.

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



Mickey Wilson, CPA
Director
January 20, 2016

Ross Strope
Assistant Director
January 20, 2016