

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4490-04  
Bill No.: Perfected SS for SB 799  
Subject: Business and Commerce; Banks and Financial Institutions; Cooperatives;  
 Corporations; Secretary of State; Veterans  
Type: Original  
Date: February 24, 2016

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

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	(Could Exceed \$187,700)	(Could Exceed \$250,383)	(Could Exceed \$278,832)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(Could Exceed \$187,700)</b>	<b>(Could Exceed \$250,383)</b>	<b>(Could Exceed \$278,832)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Technology Trust	(Could Exceed \$55,658)	(Could Exceed \$33,780)	(Could Exceed \$36,950)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(Could Exceed \$55,658)</b>	<b>(Could Exceed \$33,780)</b>	<b>(Could Exceed \$36,950)</b>

Numbers within parentheses: ( ) indicate costs or losses.  
 This fiscal note contains 8 pages.

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

## FISCAL ANALYSIS

### ASSUMPTION

In response to a previous version, 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 number of filings for each type of entity was estimated using a range of historical data. Due to the methods by which the data is captured, the number of data points used for each type of entity varies.

The projected number of filings was estimated using forecast function in Microsoft Excel which is based on a linear projection model. The linear model was modified to project using the

ASSUMPTION (continued)

previous 5 years (when available) instead of the entire range of data. This was done to more closely reflect the current climate.

The specific calculations for each entity are outlined below.

- 1) Impact of fees waived by §347.179.2 (Subdivisions (1) and (2) of subsection 1 regarding the organization of limited liability companies, LLCs)
  - A. An average fee of \$66.65 was calculated based on the distribution of LLC applications in 2014:
    - Online LLC Applications: 23,312 at a fee of \$45.00 (Revenue: \$1,049,040.00)
    - Mail-in LLC Applications: 15,132 at a fee of \$100.00 (Revenue: \$1,513,200.00)
    - Total LLC Applications: 38,444 for a total revenue of \$2,562,240.00
    - \$2,562,240.00 divided by 38,444 total applications = average application fee paid of \$66.65.
  - B. The formula to determine the fiscal impact for each year is the product of the number of projected LLC filings multiplied by the number of Veteran owned businesses, multiplied by the assumed adoption rate, multiplied by the average application fee.

$$\begin{aligned} 2017: & [(50,174 * 0.091) * 0.65] * \$66.65 = \$197,803.34 \\ 2018: & [(52,415 * 0.091) * 0.70] * \$66.65 = \$222,534.87 \\ 2019: & [(54,941 * 0.091) * 0.75] * \$66.65 = \$249,917.14 \end{aligned}$$

- 2) Impact of fees waived by §347.179.2 (Subdivision (11) of subsection 1 regarding the reservation of names)
  - A. The standard fee of \$20.00 is applied.
  - B. The formula to determine the fiscal impact for each year is the product of the number of projected name reservation filings multiplied by the number of Veteran owned businesses, multiplied by the assumed adoption rate, multiplied by the standard fee:

$$\begin{aligned} 2017: & [(596 * 0.091) * 0.65] * \$20.00 = \$705.07 \\ 2018: & [(630 * 0.091) * 0.70] * \$20.00 = \$802.62 \\ 2019: & [(664 * 0.091) * 0.75] * \$20.00 = \$906.36 \end{aligned}$$

- 3) Impact of fees waived by §357.060.2 (Subsection 1 regarding the organization of Corporations, Corps.)
  - A. The basic fee of \$53.00 is applied as this covers the majority of general corporation filings.
  - B. The formula to determine the fiscal impact for each year is the product of the number of

ASSUMPTION (continued)

projected general corporation filings multiplied by the number of Veteran owned businesses, multiplied by the assumed adoption rate, multiplied by the basic application fee:

$$2017: [(4,399 * 0.091) * 0.65] * \$53.00 = \$17,343.11$$

$$2018: [(4,218 * 0.091) * 0.70] * \$53.00 = \$17,909.81$$

$$2019: [(4,016 * 0.091) * 0.75] * \$53.00 = \$18,269.37$$

4) Impact of fees waived by §354.150.2 (Subdivision (1) of subsection 1 regarding the organization of Health Services corporations)

- The fiscal impact of the waiver of fees for health services corporations was omitted from the projections due to the relatively small number of annual filings for this type of entity.

5) Impact of fees waived by §355.021.4 (Subdivisions (1) and (2) of subsection 1 regarding the organization of Not-for-Profit Corporations, NP Corps.)

A. The standard fee of \$20.00 is applied.

B. The formula to determine the fiscal impact for each year is the product of the number of projected not-for-profit corporation filings multiplied by the number of Veteran owned businesses, multiplied by the assumed adoption rate, multiplied by the standard application fee:

$$2017: [(3,036 * 0.091) * 0.65] * \$20.00 = \$3,592.11$$

$$2018: [(3,052 * 0.091) * 0.70] * \$20.00 = \$3,887.82$$

$$2019: [(3,112 * 0.091) * 0.75] * \$20.00 = \$4,247.97$$

6) Impact of fees waived by §357.060.2 (Subsection 1 regarding the organization of cooperative associations.)

- The fiscal impact of the waiver of fees for cooperative associations was omitted from the projections due to the relatively small number of annual filings for this type of entity.

7) Impact of fees waived by §358.440.21 (Subsection 3 regarding the organization of limited liability partnerships, LLPs.)

A. The maximum fee of \$100.00 is applied as a review of internal data shows that most LLP organizations are charged the maximum fee.

B. The formula to determine the fiscal impact for each year is the product of the number of projected LLP filings multiplied by the number of Veteran owned businesses, multiplied by the assumed adoption rate, multiplied by the standard application fee:

ASSUMPTION (continued)

2017:  $[(154 * 0.091) * 0.65] * \$100.00 = \$909.11$   
 2018:  $[(152 * 0.091) * 0.70] * \$100.00 = \$966.01$   
 2019:  $[(149 * 0.091) * 0.75] * \$100.00 = \$1,015.29$

- 8) Impact of fees waived by §359.651.2 (Subdivision (1) of subsection 1 regarding the organization of limited partnerships, LPs.)
- The fiscal impact of the waiver of fees for limited partnerships was omitted from the projections due to the relatively small number of annual filings for this type of entity.
- 9) Impact of fees waived by §394.250.3 (Subdivision (1) of Subsection 1 regarding the organization of rural electric cooperative associations.)
- The fiscal impact of the waiver of fees for rural elective cooperative associations was omitted from the projections due to the relatively small number of annual filings for this type of entity.
- 10) Impact of fees waived by §417.220.2 (Subsection 1 regarding the registration or renewal of fictitious names)
- A. The standard fee of \$2.00 is applied
- B. The formula to determine the fiscal impact for each year is the product of the number of projected LLP filings multiplied by the number of Veteran owned businesses, multiplied by the assumed adoption rate, multiplied by the standard application fee:

2017:  $[(34,428 * 0.091) * 0.65] * \$2.00 = \$4,072.83$   
 2018:  $[(33,609 * 0.091) * 0.70] * \$2.00 = \$3,887.82$   
 2019:  $[(32,790 * 0.091) * 0.75] * \$2.00 = \$4,247.97$

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

<b>IMPACT TO GENERAL REVENUE</b>	<b>FY17 *</b>	<b>FY18</b>	<b>FY19</b>
<b>LLP</b>	\$ 757.59	\$ 966.01	\$ 1,015.29
<b>LLC</b>	\$ 164,836.12	\$ 222,534.87	\$ 249,917.14
<b>General Corporations</b>	\$ 14,452.59	\$ 17,909.81	\$ 18,269.37
<b>Non-Profit Corporations</b>	\$ 2,993.43	\$ 3,887.82	\$ 4,247.97
<b>Fictitious Names</b>	\$ 4,072.83	\$ 4,281.79	\$ 4,475.84
<b>Name Reservations</b>	\$ 587.56	\$ 802.62	\$ 906.36
<b>Annual Total Impact</b>	<b>\$ 187,700.12</b>	<b>\$ 250,382.92</b>	<b>\$ 278,831.97</b>

ASSUMPTION (continued)

<b>IMPACT TO TECH TRUST FUND</b>	<b>FY17 *</b>	<b>FY18</b>	<b>FY19</b>
<b>Fictitious Names</b>	\$ 8,483.33	\$ 10,705.00	\$ 11,190.00
<b>General Corporations</b>	\$ 1,083.33	\$ 1,345.00	\$ 1,370.00
<b>LLC</b>	\$ 12,366.67	\$ 16,695.00	\$ 18,750.00
<b>LLP</b>	\$ 37.50	\$ 50.00	\$ 50.00
<b>Name Reservations</b>	\$ 2,937.50	\$ 4,015.00	\$ 4,530.00
<b>Non-Profit Corporations</b>	\$ 750.00	\$ 970.00	\$ 1,060.00
<b>Annual Total Impact</b>	<b>\$ 25,658.33</b>	<b>\$ 33,780.00</b>	<b>\$ 36,950.00</b>

\*Because the proposed legislation would not go into effect until August 28, 2016, estimations for FY17 impact have been reduced.

FISCAL IMPACT - State Government                      FY 2017                      FY 2018                      FY 2019  
 (10 Mo.)

**GENERAL REVENUE**

Revenue Reduction - SOS - waiving of certain fees for veterans, members of the Missouri National Guard, or any other Active Duty Military                      (Could Exceed \$187,700)                      (Could Exceed \$250,383)                      (Could Exceed \$278,832)

**ESTIMATED NET EFFECT TO GENERAL REVENUE**                      **(Could Exceed \$187,700)**                      **(Could Exceed \$250,383)**                      **(Could Exceed \$278,832)**

**TECHNOLOGY TRUST FUND**

Cost - SOS - computer programming - data management system                      (\$30,000)                      \$0                      \$0

Revenue Reduction - SOS - waiving of certain fees for veterans, members of the Missouri National Guard, or any other Active Duty Military                      (Could Exceed \$25,658)                      (Could Exceed \$33,780)                      (Could Exceed \$36,950)

**ESTIMATED NET EFFECT TO TECHNOLOGY TRUST FUND**                      **(Could Exceed \$55,658)**                      **(Could Exceed \$33,780)**                      **(Could Exceed \$36,950)**

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.

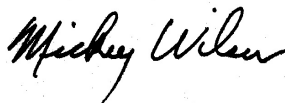
FISCAL DESCRIPTION

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  
February 24, 2016

Ross Strobe  
Assistant Director  
February 24, 2016