

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4840-01
Bill No.: Truly Agreed To and Finally Passed SB 664
Subject: Agriculture and Animals; Corporations; Secretary of State
Type: Original
Date: May 16, 2016

Bill Summary: This proposal modifies corporate registration report requirements for authorized farm corporations and family farm corporations.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	(\$10,763)	(\$12,915)	(\$12,915)
Total Estimated Net Effect on General Revenue	(\$10,763)	(\$12,915)	(\$12,915)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Secretary of State's Technology Fund	(\$32,869)	(\$3,443)	(\$3,443)
Total Estimated Net Effect on Other State Funds	(\$32,869)	(\$3,443)	(\$3,443)

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

§ 351.120 - Farming Corporation Registration Report Requirements:

Officials from the **Office of Secretary of State (SOS)** assume there are approximately 765 Authorized Farm Corporations in Missouri that must file an annual or biennial report. Annual reports are \$40 for paper filings, and \$15 if filed online. In addition, there is an additional \$5 fee that is paid to the Secretary of State's Technology Trust Fund Account (authorized by §28.160, RSMo) for annual reports and a \$10 fee for biennial reports. Our division does not have precise numbers for what percentage of these qualifying corporations file online versus traditional paper filings. However, corporations traditionally file 85% of these filings online. We will assume the percentage filed by all corporations holds for Authorized Farm Corporations.

The calculations are:

- Online filings are \$15. There are 765 total Authorized Farm filings. We estimate 85% of those are online. Thus, 765 multiplied by 0.85 multiplied by \$15 equals a total of \$9,750.
- Paper filings are \$40. There are 765 total Authorized Farm filings. We estimate 15% of those are by paper. Thus, 765 multiplied by 0.15 multiplied by \$40 equals a total of \$4,600.
- Tech Fund fees are \$5. There are 765 total Authorized Farm filings and 100% of those pay a Tech Fund fee. Thus, 765 multiplied by 1.0 multiplied by \$5 equals a total of \$3,825.

We do not, however, anticipate that all 765 eligible corporations will stop filing annual reports. First, the legislation still requires reports be filed if registration information changes. Second, there may be corporations unaware of the program. We anticipate that 75% of those companies will not file an annual or biennial report the first year with subsequent participation reaching 90%.

Therefore, the calculations are:

FY2017

- Online and paper filings combined from the above calculations is \$14,350 (\$9,750 + \$4,600) and multiplying that number by 0.75 for FY2017 equals \$10,763.
- Tech Fund filings from the above calculations are \$3,825 and multiplied by 0.75 for FY2016 equals \$2,869. This number is added to the expected cost to make changes to our software (\$30,000) to total \$32,869

ASSUMPTION (continued)

FY2018 and beyond

- Online and paper filings combined from the above calculations is \$14,350 (\$9,750 + \$4,600) and multiplying that number by 0.9 for FY2018 and beyond equals \$12,915.
- Tech Fund filings from the above calculations are \$3,825 and multiplied by 0.9 for FY2017 and beyond equals \$3,443

Officials from the **Department of Agriculture** assume the provision would not fiscally impact their agency.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
GENERAL REVENUE			
<u>Loss - SOS</u>			
§ 351.120 - Annual Registration Report exemption for Authorized Farm Corporations and Family Farm Corporations	<u>(\$10,763)</u>	<u>(\$12,915)</u>	<u>(\$12,915)</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>(\$10,763)</u>	<u>(\$12,915)</u>	<u>(\$12,915)</u>
SECRETARY OF STATE'S TECHNOLOGY TRUST FUND			
<u>Loss - SOS - § 351.120 - Annual Registration Report exemption for Authorized Farm Corporations and Family Farm Corporations</u>			
	(\$2,869)	(\$3,443)	(\$3,443)
<u>Costs - SOS</u>			
§ 351.120 - Software Changes	<u>(\$30,000)</u>	<u>\$0</u>	<u>\$0</u>
TOTAL NET EFFECT TO THE SECRETARY OF STATE'S TECHNOLOGY TRUST FUND	<u>(\$32,869)</u>	<u>(\$3,443)</u>	<u>(\$3,443)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

§ 351.120 - Farming Corporation Registration Report Requirements:

Small business authorized farm corporations and family farm corporations will annually save \$45 if no annual registration report is required to be filed.

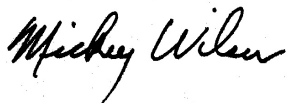
FISCAL DESCRIPTION

Currently, authorized farm corporations and family farm corporations are required to file a corporate registration report annually with the Missouri Secretary of State. Under this act, such farm corporations would not have to file an annual report if the information required by the corporate registration report has not changed since the filing of the corporation's articles of incorporation or most recent registration report.

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 Secretary of State
Department of Agriculture



Mickey Wilson, CPA
Director
May 16, 2016

Ross Strobe
Assistant Director
May 16, 2016