

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1495-01  
Bill No.: SB 326  
Subject: Corporations; Secretary of State  
Type: Original  
Date: February 2, 2017

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Bill Summary: This proposal creates new provisions relating to low-profit limited liability corporations.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
General Revenue	\$18,125	\$26,100	\$27,188
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$18,125</b>	<b>\$26,100</b>	<b>\$27,188</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
Technology Fund	(\$28,750)	\$1,800	\$1,875
<b>Total Estimated Net Effect on Other State Funds</b>	<b>(\$28,750)</b>	<b>\$1,800</b>	<b>\$1,875</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 6 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</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 2018</b>	<b>FY 2019</b>	<b>FY 2020</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 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials at the **Office of the Secretary of State (SOS)** assume they will have to contract with the vendor to change the automated processes performed by their business software. The vendor would need to allow "L3C" to be a filing type for creation and amending, change the wording on certain screens throughout the online application, and update the current merge form. SOS anticipates a one-time cost of \$30,000 to change the current software operated by the Business Services Division.

It is unknown how many Low-Profit Limited Liability Companies will be created. However, each one created would need to register with the SOS at a cost of either \$100.00 (paper LLC registration fee without the technology fund) or \$45.00 (online LLC creation without the technology fund).

Because this is a new filing type, SOS estimates 25 filings per month at an average filing fee of \$72.50 each. An estimated (without the technology fund fee) of \$18,125.00 (25 filings x 10 months = 250 filings yearly \* \$72.50 average filing fee) would be deposited into General Revenue (GR) in FY 2018. As this new filing type becomes more popular an estimated increase of 20% for FY 2019 and 25% increase for FY 2020 is anticipated.

#### FY 2018

$\$100 + \$45 = \$145/2 = \$72.50$  average filing fee  
25 filings per month x 10 months = 250 yearly filings  
250 yearly filings x \$72.50 average filing fee = \$18,125.00 GR deposit

\$5.00 Technology Fund (TF) Fee per filing x 250 yearly filings = \$1,250.00 TF deposit

#### FY 2019

$\$100 + \$45 = \$145/2 = \$72.50$  average filing fee  
25 filings per month x 12 months = 300 yearly filings  
300 yearly filings x 20% increase = 60 additional yearly filings  
60 additional filings + 300 yearly filings = 360 total 2019 filings  
360 2019 filings \* \$72.50 average filing fee = \$26,100.00 GR deposit

\$5.00 Tech Fund Fee per filing x 360 yearly filings = \$1,800.00 TF deposit

ASSUMPTION (continued)

FY 2020

\$100 + \$45 = \$145/2 = \$72.50 average filing fee  
 25 filings per month x 12 months = 300 yearly filings  
 300 yearly filings x 25% increase = 75 additional yearly filings  
 75 additional filings + 300 yearly filings = 375 total 2020 filings  
 375 2020 filings \* \$72.50 average filing fee = \$27,187.50 GR deposit

\$5.00 Tech Fund Fee per filing x 375 yearly filings = \$1,875.00 TF deposit

Officials from the **Attorney General's Office** assume that any potential costs arising from this proposal can be absorbed with existing resources.

Officials from the **Department of Economic Development** assume the proposal will have no fiscal impact on their organization.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
<b>GENERAL REVENUE FUND</b>			
<u>Income</u> - SOS - filing fees	<u>\$18,125</u>	<u>\$26,100</u>	<u>\$27,188</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>\$18,125</u></b>	<b><u>\$26,100</u></b>	<b><u>\$27,188</u></b>
<b>TECHNOLOGY FUND</b>			
<u>Income</u> - SOS - filing fees	\$1,250	\$1,800	\$1,875
<u>Cost</u> - SOS - one-time vendor programming cost	<u>(\$30,000)</u>	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON THE TECHNOLOGY FUND</b>	<b><u>(\$28,750)</u></b>	<b><u>\$1,800</u></b>	<b><u>\$1,875</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This proposal permits the creation of low-profit limited liability companies, or L3C's. An L3C is a limited liability company that does not have as its primary purpose the production of income or the appreciation of property. In order to be considered an L3C, the company must further the accomplishment of one or more charitable or educational purposes within the meaning of the Internal Revenue Code. Furthermore, the company must not have been formed but for the furtherance of such purposes.

Limited liability companies seeking to establish as an L3C are required to include the word "L3C" in its name as set forth in its articles of organization. Moreover, the company is required to state in the articles that no significant purpose of the company is the production of income or the appreciation of property and that it is not the purpose to accomplish one or more political or legislative purposes.

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  
Attorney General's Office  
Department of Economic Development



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