

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3480-01
Bill No.: SB 720
Subject: Corporations; Fees; Secretary of State
Type: Original
Date: February 5, 2020

Bill Summary: This proposal creates and amends various provisions regulating limited liability companies and partnerships.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2021	FY 2022	FY 2023	Fully Implemented (FY 2024)
General Revenue	(\$424,420)	(\$300,219)	\$65,414	\$655,959
Total Estimated Net Effect on General Revenue	(\$424,420)	(\$300,219)	\$65,414	\$655,959

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2021	FY 2022	FY 2023	Fully Implemented (FY 2024)
Technology Trust	\$180	\$216	\$81,129	\$504,584
Total Estimated Net Effect on <u>Other</u> State Funds	\$180	\$216	\$81,129	\$504,584

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2021	FY 2022	FY 2023	Fully Implemented (FY 2024)
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2021	FY 2022	FY 2023	Fully Implemented (FY 2024)
Total Estimated Net Effect on FTE	0	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 2021	FY 2022	FY 2023	Fully Implemented (FY 2024)
Local Government		\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Secretary of State (SOS)** assume Total State General Revenue regarding these particular filings will decrease, for Limited Liability Company, and decrease for Limited Liability Partnerships.

A new filing of Information Statement for LLCs will start in 2023 and affect LLCs every five years thereafter for each new registration resulting in a positive fiscal impact.

These estimates assume various rate of participation and use an averaging of historical data to determine estimations.

347.044-347.183 (LLC)

	<u>GR 101</u>	<u>TECH 266</u>
FY2021	\$(423,855)	\$180
FY2022	\$(299,629)	\$216
FY2023	\$(260,216)	\$225

358.460-358.470 (LLP)

	<u>GR 101</u>	<u>TECH 266</u>
FY2021	\$(565)	
FY2022	\$(590)	
FY2023	\$(545)	

Fiscal impact for the year FY2023-FY2026 347.044-347.183 (LLC)

	<u>GR 101</u>	<u>TECH 266</u>
FY2023	\$ 326,175	\$ 165,904
FY2024	\$ 655,959	\$ 504,584
FY2025	\$ 359,515	\$ 276,550
FY2026	\$ 303,875	\$ 276,550

Secretary of State's office is a silo IT department. All changes to software would require working with a third party vendor and/or the Information Technology department. Resulting in an estimated expenditure of \$85,000.

ASSUMPTION (continued)

Oversight will reflect the fiscal impact as provided by SOS.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023	Fully Implemented (FY 2024)
GENERAL REVENUE				
<u>Loss</u> - SOS - fee revenue reduction	(\$424,420)	(\$300,219)	(\$260,761)	
<u>Income</u> - SOS - fee revenue for LLC	<u>\$0</u>	<u>\$0</u>	<u>\$326,175</u>	<u>\$655,959</u>
ESTIMATED NET EFFECT TO GENERAL REVENUE	<u>(\$424,420)</u>	<u>(\$300,219)</u>	<u>\$65,414</u>	<u>\$655,959</u>
TECHNOLOGY TRUST FUND				
<u>Loss</u> - SOS - filing fees	\$180	\$216	\$166,129	\$504,584
<u>Cost</u> - SOS software changes	<u>\$0</u>	<u>\$0</u>	<u>(\$85,000)</u>	<u>\$0</u>
ESTIMATED NET EFFECT TO THE TECHNOLOGY TRUST FUND	<u>\$180</u>	<u>\$216</u>	<u>\$81,129</u>	<u>\$504,584</u>

FISCAL IMPACT -
Local Government

FY 2021 (10 Mo.)	FY 2022	FY 2023	Fully Implemented (FY 2024)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

The fees that small businesses pay to the Office of the Secretary of State could change as a result of this proposal.

FISCAL DESCRIPTION

This act creates and amends various provisions regulating to limited liability companies and partnerships.

Every limited liability company (LLC) and foreign limited liability company (foreign LLC) is required to file an information statement with the Secretary of State (SOS) once every 5 years, accompanied by a fee of \$15, or \$5 if filed electronically. The SOS is permitted to administratively cancel the articles of incorporation of an LLC or the registration of a foreign LLC for failure to timely file an information statement. The act provides procedures for allowing a foreign LLC to apply to the SOS to have its registration reinstated following such a cancellation. Procedures are also created allowing an LLC to apply for reinstatement following the erroneous or accidental filing of a notice of winding up or notice of termination.

The act reduces various filing fees imposed on LLC's and partnerships for filing certain documents with the SOS and provides for reduced fees for filing certain documents in an electronic format. Additionally, the act requires a fee of \$95 for filing a withdrawal of an erroneously or accidentally filed notice of winding up or articles of termination.

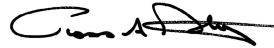
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State



Julie Morff
Director
February 5, 2020



Ross Strobe
Assistant Director
February 5, 2020