

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1221S.01I
 Bill No.: SB 286
 Subject: Corporations; Fees; Secretary of State
 Type: Original
 Date: February 12, 2021

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 2022	FY 2023	FY 2024	Fully Implemented (FY 2025)
General Revenue	(\$420,178)	(\$359,531)	\$36,975	\$244,488
Total Estimated Net Effect on General Revenue	(\$420,178)	(\$359,531)	\$36,975	\$244,488

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2025)
Technology Trust Fund	\$150	(\$77,384)	\$290,979	\$501,198
Total Estimated Net Effect on Other State Funds	\$150	(\$77,384)	\$290,979	\$501,198

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2025)
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 2022	FY 2023	FY 2024	Fully Implemented (FY 2025)
Total Estimated Net Effect on FTE	0	0	0	\$0

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2025)
Local Government	\$0	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

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

A new filing of Information Statement for LLCs will start in 2024 and affect LLCs every five years thereafter for each new registration resulting in a positive fiscal impact.

State revenue in 10 years would then level back as the fee cut shifts to the information statement required every five years.

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

347.044-347.183 (LLC)

<u>FY</u>	<u>GR 0101</u>	<u>TECH 0266</u>
FY2022	\$ (503,649)	\$ 180
FY2023	\$ (358,941)	\$ 216
FY2024	\$ 37,520	\$ 225

358.460-358.470 (LLP)

<u>FY</u>	<u>GR 0101</u>	<u>TECH 0266</u>
FY2022	\$ (565.00)	
FY2023	\$ (590.00)	
FY2024	\$ (545.00)	

Current customer ratio of paper vs online is 25% to 75% for creation filings the change in fees would strive to move that ratio to 5% paper and 95% online. Filing online will have a cost savings as the system is set up to auto process creation documents. While this cost saving is not true for all filings, as manual review by an examiner is required for those documents, there are added benefits to customer submitting online.

It is assumed that 30% of the current LLCs listed as active are actually doing business and will file an information statement as required under 347.044, with an increase rate over time as new LLCs will know before creating that an information statement will be required in five years. The

first LLC was created in December of 1993, since that time over 600,000 entities have been created, or converted to the entity type of Limited Liability Company.

Series LLC is a growing area of the LLC entity type. It is unknown how many filings will be effected by the change in cost, as we do not currently have revenue collected for these filings. The best estimate is based on what an examiner thinks they file per month annualized.

The technology trust fund is not impacted until January of 2024 when 347.044 starts.

SOS states the overall impact is estimated at:

Fund Affected	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
General Revenue	(\$420,178)	(\$359,531)	\$36,975	\$244,488	(\$10,444)	(43,526)
Technology Trust Fund	\$150	(\$77,384)	\$290,979	\$501,198	\$279,210	\$244,000
Total Estimated Net Effect on All State Funds	(\$420,028)	(\$436,915)	\$327,954	\$745,686	\$268,766	\$200,474

The Secretary of State reserves the right to offset or request additional resources for estimated fiscal note impacts during the budget process.

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 \$77,600

Our vendor has standard rates for determining cost per hour.

Project Manager	\$ 180.00 x 40 hr. = \$7,200
Technical Architect	\$ 165.00 x 80 hr. = \$13,200
Senior RegSys Developer	\$ 150.00
RegSys Developer	\$ 130.00 x 160 hr. = \$20,800
Business Analyst	\$ 145.00 x 160 hr. = \$23,200
Database Administrator	\$ 150.00

Quality Assurance (QA) Analyst TOTAL	\$ 110.00 x 120 hr. = \$13,200 \$77,600
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*An estimation was done on the hours required for this changed based on past PAQs

Oversight will reflect the estimated fiscal impact as provided by SOS

<u>FISCAL</u> <u>IMPACT – State</u> <u>Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024	Fully Implemented (FY 2025)
GENERAL REVENUE				
<u>Loss-SOS-fee</u> Revenue reduction (LLC)	(\$423,358)	(\$365,145)	(\$340,460)	(\$407,070)
<u>Loss-SOS-fee</u> Revenue reduction (LLP)	(\$470)	(\$590)	(\$545)	\$0
<u>Income-SOS-fee</u> Revenue for LLC	<u>\$3,650</u>	<u>\$6,204</u>	<u>\$377,980</u>	<u>\$651,557</u>
ESTIMATED NET EFFECT TO GENERAL REVENUE	<u>(\$420,178)</u>	<u>(\$359,531)</u>	<u>\$36,975</u>	<u>\$244,488</u>
TECHNOLOGY TRUST FUND				
<u>Loss-SOS-filing</u> fees	\$150	\$216	\$290,979	\$501,198
<u>Cost-SOS</u> software changes	<u>\$0</u>	<u>(\$77,600)</u>	<u>\$0</u>	<u>\$0</u>

ESTIMATED NET EFFECT TO THE TECHNOLOGY TRUST FUND	<u>\$150</u>	<u>(\$77,384)</u>	<u>\$290,979</u>	<u>\$501,198</u>
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<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024	Fully Implemented (FY 2025)
	<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 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 creates the following new fees:

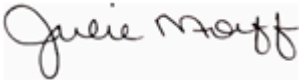
- A fee of \$95 for filing a withdrawal of an erroneously or accidentally filed notice of winding up or articles of termination; and
- For a filing relating to a limited liability series an additional fee of ten dollars for each series effected or, if filing online in an electronic format prescribed by the secretary, a fee of five dollars for each series effected.

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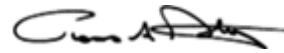
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State



Julie Morff
Director
February 12, 2021



Ross Strobe
Assistant Director
February 12, 2021