

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3681-05
Bill No.: SCS for SB 931
Subject: Corporations- Securities
Type: Original
Date: February 4, 2002

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON STATE FUNDS | | | |
|---|-------------------------|-------------------------|-------------------------|
| FUND AFFECTED | FY 2003 | FY 2004 | FY 2005 |
| General Revenue | \$0 or (Unknown) | \$0 or (Unknown) | \$0 or (Unknown) |
| | | | |
| Total Estimated Net Effect on <u>All</u> State Funds * | \$0 or (Unknown) | \$0 or (Unknown) | \$0 or (Unknown) |

* Unknown costs are not expected to exceed \$100,000 annually.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|-------------------------|-------------------------|-------------------------|
| FUND AFFECTED | FY 2003 | FY 2004 | FY 2005 |
| Unemployment Compensation Trust | \$0 to (Unknown) | \$0 to (Unknown) | \$0 to (Unknown) |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 to (Unknown) | \$0 to (Unknown) | \$0 to (Unknown) |

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|--|--------------------|--------------------|--------------------|
| FUND AFFECTED | FY 2003 | FY 2004 | FY 2005 |
| Local Government* | (\$Unknown) | (\$Unknown) | (\$Unknown) |

* Loss of Reimbursement revenues are expected to exceed \$100,000.

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **State Treasurer's Office** assume no fiscal impact.

Officials of the **Department of Insurance** assume no fiscal impact.

Officials of the **County Employees Retirement Fund** assume no fiscal impact.

Officials of the **Office of Attorney General** assume no fiscal impact.

Officials of the **Department of Revenue** have not responded, however, **Oversight** assumes that there could be some costs associated with transferring the management of the Statutory County Recorder's Fund from the State Treasurer to the Director of Revenue. DOR officials stated they would send a response as soon as possible. **Oversight** will show fiscal impact to DOR as \$0 or (Unknown). Unknown costs would not be expected to exceed \$100,000 annually.

Officials of the **Office of Secretary of State- Corporations Division and Securities Division** assume there would be no fiscal impact.

Officials of the **Department of Labor and Industrial Relations** stated that the language in Section 351.247 could seriously jeopardize the State's ability to collect unemployment taxes from corporations and shareholders that would choose to enter into this type of arrangement. With this proposed Section, a person could create a shell corporation, be the sole shareholders, have an agreement to exercise all the powers of the corporation, pay themselves a large salary and instead of paying the corporate debts and taxes, and ultimately close the corporation without any personal liability. Officials stated that the possibility exists that the State would be unable to collect unemployment taxes. Officials stated that they could not estimate the loss of income to the Unemployment Compensation Trust Fund. Officials stated there would be no fiscal impact to the Unemployment Compensation Administration Fund.

Oversight for the purposes of this fiscal note will show loss of income to the Unemployment Compensation Trust Fund as \$0 to Unknown.

LOCAL IMPACT:

Officials of the **Boone County, Callaway County, and Platte County Recorder of Deed's Offices** stated that language in Section 59.800.2, which would prohibit those counties that

ASSUMPTION (continued)

separated under the provisions of SB 288 of 2001 session, from receiving subsidy payments pursuant to Section 59.800.2, would result in a loss of income to those county's General Revenue Fund. The **Boone County Recorder** estimated that at least 50 counties would be affected and the average loss of income to those county's General Revenue Fund would be approximately \$35,000 annually. Officials estimate the loss of income to counties would exceed \$100,000 annually.

| | | | |
|---|---------------------|---------|---------|
| <u>FISCAL IMPACT - State Government</u> | FY 2003 (10 Mo.) | FY 2004 | FY 2005 |
|---|---------------------|---------|---------|

GENERAL REVENUE FUND

| | | | |
|---|-----------------------------------|-----------------------------------|-----------------------------------|
| <u>Cost</u> to Department of Revenue Management of Statutory County Recorder's Fund * | <u>\$0 or</u> <u>(Unknown)</u> | <u>\$0 or</u> <u>(Unknown)</u> | <u>\$0 or</u> <u>(Unknown)</u> |
|---|-----------------------------------|-----------------------------------|-----------------------------------|

* **Unknown Cost not expected to Exceed \$100,000 annually.**

FEDERAL FUNDS

| | | | |
|--|-----------------------------------|-----------------------------------|-----------------------------------|
| <u>Loss</u> to Unemployment Compensation Trust Fund Unemployment Tax (Section 351.247) | <u>\$0 to</u> <u>(Unknown)</u> | <u>\$0 to</u> <u>(Unknown)</u> | <u>\$0 to</u> <u>(Unknown)</u> |
|--|-----------------------------------|-----------------------------------|-----------------------------------|

| | | | |
|---|---------------------|---------|---------|
| <u>FISCAL IMPACT - Local Government</u> | FY 2003 (10 Mo.) | FY 2004 | FY 2005 |
|---|---------------------|---------|---------|

COUNTY GENERAL REVENUE

| | | | |
|--|------------------|------------------|------------------|
| <u>Loss</u> to Certain Counties Reimbursement Pursuant to (Section 59.800.2) * | <u>(Unknown)</u> | <u>(Unknown)</u> | <u>(Unknown)</u> |
|--|------------------|------------------|------------------|

* **Loss of Income is expected to exceed \$100,000.**

FISCAL IMPACT - Small Business

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

DESCRIPTION

This act modifies and adds various provisions pertaining to business and commerce. A summary of the provisions follows:

DISSOLUTION OF DEADLOCKED LIMITED LIABILITY COMPANY - (Section 347.143) - This act provides for judicial dissolution of a limited liability company in the event the members are deadlocked.

PLEADING AND BURDEN OF PROOF - (Section 351.055)- This act provides that on a motion to dismiss, a person challenging an exculpation provision must plead facts with particularity and on a motion for summary judgement has the burden of proving the provision is inapplicable.

BONDHOLDER'S POWER TO VOTE - (Section 351.056) - This act provides that a corporation may confer the power to vote upon holders of bonds, debentures or other obligations.

STOCK OPTIONS - (Section 351.182) - This act provides that under certain circumstances, the board of directors may delegate to officers the right to stock options.

CORPORATE REQUIREMENTS - (Section 351.247) - Allows a corporation which has elected to not be governed by the close corporation provisions of Chapter 351 to modify, by shareholder agreement, various corporate requirements. This act does not affect corporations which have elected to operate pursuant to the close corporation provisions, and is retroactive.

RENUNCIATION OF BUSINESS OPPORTUNITIES - (Section 351.385) - This act allows a corporation to adopt a provision in its articles renouncing any interest in specified business opportunities.

ABANDONMENT OF MERGER OR CONSOLIDATION - (Section 351.431) - This act allows a corporation to abandon an approved merger or consolidation prior to the merger or consolidation becoming effective.

DEMAND FOR VALUE OF SHARES - (Section 351.455) - This act provides that a shareholder with voting shares who objects to a merger or consolidation has the right to appraisal if the objection is filed prior to the meeting of shareholders.

DESCRIPTION (continued)

LIENS - (Section 400.9-303) - This act provides that Sections 700.350 to 700.390, govern the perfection, non perfection and priority of liens relating to mobile homes.

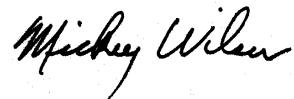
REMEDIES - (Section 400.9-628) - This act provides that a secured party which fails to comply with explanation requirements pursuant to Section 400.9-616 cannot be held liable for the remedy specified in Section 400.9-625(c)(2), relating to failure to comply with Article 9 provisions.

STATUTORY COUNTY RECORDER'S FUND - This act provides that the Director of Revenue, not the State Treasurer, shall be custodian of the fund. The formula for distribution of the funds is amended. All moneys in the fund are deemed non-state funds.

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 State Treasurer
Secretary of State- Division of Corporations and Securities
Office of Attorney General
Department of Revenue
Department of Insurance
Department of Labor and Industrial Relations
County Employees Retirement Fund



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