

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4288-01  
Bill No.: HB 1524  
Subject: Secretary of State: Corporations  
Type: Original  
Date: April 13, 2006

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
General Revenue	\$1,069,500	\$456,826	\$28,382
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$1,069,500</b>	<b>\$456,826</b>	<b>\$28,382</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Technology	\$122,500	\$113,500	\$0
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$122,500</b>	<b>\$113,500</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 5 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</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 LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## **FISCAL ANALYSIS**

### **ASSUMPTION**

Officials of the **Office of Secretary of State - Corporations Division** assume total state revenue will increase in FY 07 because of corporations electing to pay an additional fee to change the due date of their corporate registration report and electing to file their report biennially rather than annually. Officials assume this proposal will allow corporations to change the due date of their corporate registration report and it will allow corporations to elect to file their corporate registration report biennially.

Officials assume the option to change the due date of the corporate registration report that 30% of the 124,000 general business corporations will opt to change their due date in 2007; of those, 75% will change in FY 07 and 25% will change in FY 08.

Officials assume the option for a biennial corporate registration report that 50% of the 124,000 general business and 50% of the non-profit corporations will elect to file biennially.

Corporations formed in odd numbered years can opt in an odd numbered filing year; corporations formed in an even numbered year can opt in an even numbered filing year.

ASSUMPTION (continued)

It is assumed that 40% will opt to file biennially, with 70% of the general business and 55% of the non-profit filing online; the remainder will file paper reports. The change will occur over two fiscal years, with 75% of the general business changing in FY 07 and 25% changing in FY 08. For non-profits, the first year change will occur in FY 08.

Expenses for FY 07 are for one time contract programming with the KB system vendor. FY 08 and FY 09 Cost avoidance is in reduced postage and printing because of biennial filing.

Officials estimate fiscal impact generated from fees for filings, to the State General Revenue Fund in FY 07 at \$1,069,500; and in FY 08 at \$444,700; and in FY 09 would be \$0. Officials estimate cost avoidance in FY 08 and 09 from reduced postage and printing because of biennial filing.

Officials estimate fiscal impact to the Technology Fund in FY 07 for one-time programming costs of \$110,000. Officials estimate income to the fund from fees in FY 2007 at \$232,500; and in FY 08 at \$113,500; and \$0 in FY 09.

Officials of the **Office of Secretary of State's - Administrative Rules** stated that many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to Secretary of State's office for Administrative Rules is less than \$1,500. The Secretary of State's office recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

**Oversight** assumes no local fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
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**GENERAL REVENUE FUND**

<b><u>Income</u></b> to Secretary of State			
From change in filing procedure and fees.	\$1,069,500	\$444,700	\$0

<b><u>Savings</u></b> to Secretary of State			
From cost avoidance, postage, etc.	<u>\$0</u>	<u>\$12,126</u>	<u>\$28,382</u>

<b>ESTIMATED NET EFFECT TO STATE GENERAL REVENUE FUND</b>	<b><u>\$1,069,500</u></b>	<b><u>\$456,826</u></b>	<b><u>\$28,382</u></b>
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**TECHNOLOGY FUND**

<b><u>Income</u></b> to Secretary of State			
From fees on filings	\$232,500	\$113,500	\$0

<b><u>Cost</u></b> to Secretary of State			
From one-time programming change	<u>\$110,000</u>	<u>\$0</u>	<u>\$0</u>

<b>ESTIMATED NET EFFECT TO TECHNOLOGY FUND</b>	<b><u>\$122,500</u></b>	<b><u>\$113,500</u></b>	<b><u>\$0</u></b>
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<u>FISCAL IMPACT - Local Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

There will be a fee of \$20 for each corporation that opts to change the month its corporate registration report is due; it is assumed that this cost to the corporation will be more than offset in cost savings/avoidance by completing this requirement at the same time other business and tax filings are completed.

FISCAL IMPACT - Small Business (continued)

A corporation electing to file its corporate registration report biennially rather than annually will presumably, over a two year period, expend one half the cost of preparing the report. A typical business will spend approximately 15 minutes each year preparing and filing its registration report; biennial filing would save an estimated 8,000 hours by business filers every year.

DESCRIPTION

This bill allows a corporation to change the month of its corporate registration report by designating the desired month and paying an additional \$20 fee. Beginning January 1, 2007, a corporation will also be allowed to file a corporate registration report on a biennial basis.

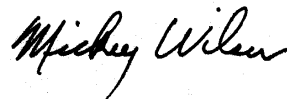
Corporations incorporated in an even-numbered year may only file a report in an even-numbered year, and corporations incorporated in an odd-numbered year may only file a report in odd-numbered years.

The fee for filing the biennial report will be \$80 if filed in a written format and \$30 for an electronic format. Any corporation filing a biennial report must maintain the registration for two years, but may choose to file an annual registration in subsequent years.

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



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Director  
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