

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4780-01
Bill No.: HB 1983
Subject: Secretary of State: Business and Commerce, Corporations
Type: Original
Date: February 14, 2008

Bill Summary: Allows for the conversion of other entities to domestic corporations and the conversion of domestic corporations to other entities.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	\$0	Unknown	Unknown
Total Estimated Net Effect on General Revenue Fund	\$0	Unknown	Unknown

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Office of the Secretary of State - Business Services Division** stated that since there are no new fees indicated in the proposed legislation, it is assumed that the filing fees for a conversion will be the same as a filing fee for a new entity filing. While it is unknown how many entities would file a conversion, it is anticipated that the number of mergers and consolidations would decrease as a result of the ability to convert, and that there would be no substantial increase or decrease in revenue. It is anticipated that existing staff would be used to process conversion filings. Officials stated they would need to modify existing system to accept and process a conversion. Officials estimate a one-time programming cost of \$35,000 in FY 09.

Officials assume the income generated from the conversion fee in FY 09, would be in amount sufficient to defray the programming costs of \$35,000.

Officials of the **Department of Insurance and Financial Institutions and Professional Registration** assume no fiscal impact to their department.

Oversight assumes no local government fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
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GENERAL REVENUE FUND

<u>Income</u> - To Secretary of State			
From new conversion fee	Unknown	Unknown	Unknown

<u>Cost</u> to Secretary of State			
For contracting computer programming	<u>(\$35,000)</u>	<u>\$0</u>	<u>\$0</u>

ESTIMATED NET EFFECT TO GENERAL REVENUE FUND	<u>\$0</u>	<u>Unknown</u>	<u>Unknown</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
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\$0

\$0

\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal; however, this proposal allows for business continuity by allowing a business to convert from one entity type to another entity type.

FISCAL DESCRIPTION

This bill allows Missouri corporations to convert to an other entity by adoption of a resolution by its board of directors approving the conversion and by approval of all shareholders supporting the adoption of the resolution. The bill specifies that "other entity" is a limited liability company, statutory trust, business trust or association, real estate investment trust, common-law trust, or any other unincorporated business including a partnership or a foreign corporation. The corporation must file with the Office of the Secretary of State a certificate of conversion certifying:

- (1) The name of the corporation;
- (2) The date of the filing of its original articles of incorporation;
- (3) The name and jurisdiction of the entity to which the corporation is being converted;
- (4) The approval of the conversion; and
- (5) The corporation's assent to service of process in Missouri and the address at which the company may be served.

Any other entity is allowed to convert to a corporation by approval of the conversion in accordance with its internal procedure and policy and by filing with the Office of the Secretary of State articles of incorporation and a certificate of conversion stating:

- (1) The date which the other entity was first created;
- (2) The jurisdiction where the other entity was first created;
- (3) The name of the other entity immediately preceding the conversion; and
- (4) The name of the corporation as specified in its articles of incorporation.

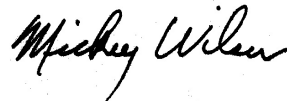
DESCRIPTION (continued)

Any conversion will not be deemed a dissolution of the prior entity, but rather will constitute a continuation of the existence of the converting business entity.

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
Business Services Division
Department of Insurance and Financial Institutions
and Professional Registration



Mickey Wilson, CPA
Director
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