

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5893-01
Bill No.: HB 1814
Subject: Business and Commerce; Fees; Secretary of State
Type: Original
Date: February 26, 2014

Bill Summary: This proposal waives the articles of organization filing fee every January for newly formed LLCs.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	(\$314,561)	(\$360,070)	(\$405,570)
Total Estimated Net Effect on General Revenue Fund	(\$314,561)	(\$360,070)	(\$405,570)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Technology Trust Fund	(\$25,781)	(\$32,980)	(\$37,180)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$25,781)	(\$32,980)	(\$37,180)

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
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 2015	FY 2016	FY 2017
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of the Secretary of State (SOS)** assume the General Revenue and Technology Trust Fund would be reduced by the creation of Limited Liability Company registrations. The cost of filing a creation LLC online is \$50 and if mailed to the SOS office the cost is \$105. The SOS office has seen a consistent rise in creation LLC filings over the last 10 years and assume this will continue to increase. Pulling past data for the months of December and February for the years of 2011, 2012, and 2013, it is assumed that the online creation filings for Limited Liability Companies will increase by 14% each month for online filings and an increase by 7% for applications received by mail. It is also assumed that 20% of customers wishing to file in either December or February would either wait or file early and file their creation in January.

The \$314,561 General Revenue loss for the 2015 fiscal year was calculated by first pulling the total number of creation LLC's filed in 2013 for the months of January, February and December. Taking 20% of February and December totals and 100% for January's totals, representing the number that would file in the month of January, and multiplying that number to the online filing fee of \$45.00 (tech fee is excluded) and the paper fee of \$100.00 (tech fee is excluded) and then adding together.

LLC Creations filed 2013	Mail	Web	Total
February	1,160	3,165	4,325
December	1,257	2,624	3,881
January	527	3,588	4,115

ASSUMPTION (continued)

WEB 20% of filings(5.00 tech fee removed)	General Revenue	Total
February	633 x \$45 =	\$28,485
December	525 x \$45 =	\$23,616
100 % January	3,588 x \$45 =	\$161,460
TOTAL		\$213,561

MAIL 20% of filings(5.00 tech fee removed)	General Revenue	
February	232 x \$100 =	\$23,200
December	251 x \$100 =	\$25,100
100 % January	527 x \$100 =	\$52,700
TOTAL		\$101,000

Additionally, **SOS** will have a cost to upgrade the SystemWORKS application which is estimated to be \$500. The SystemWORKS application will have to be reconfigured in order to not charge during the month of January, online or via the internal application.

SOS collects a \$5 fee on every registration that is filed online or is mailed for the Technology Trust Fund. SOS used the same formula of 100% of January and 20% of each of December and February for determining the loss to the Technology Trust Fund.

Oversight assumes the SOS can absorb the cost of the computer upgrades with existing resources.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE			
<u>Loss - Secretary of State - no longer collecting fees in January for newly formed LLC</u>	<u>(\$314,561)</u>	<u>(\$360,070)</u>	<u>(\$405,570)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$314,561)</u>	<u>(\$360,070)</u>	<u>(\$405,570)</u>
TECHNOLOGY TRUST FUND			
<u>Loss - Secretary of State - no longer collecting fees in January for newly formed LLC</u>	<u>(\$25,781)</u>	<u>(\$32,980)</u>	<u>(\$37)</u>
ESTIMATED NET EFFECT ON TECHNOLOGY TRUST FUND	<u>(\$25,781)</u>	<u>(\$32,980)</u>	<u>(\$37,180)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses that no longer have to pay this fee will be positively impacted.

FISCAL DESCRIPTION

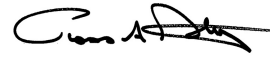
Beginning January 1, 2015, this bill waives the articles of organization filing fee every January for any newly formed limited liability company.

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

Mickey Wilson, CPA
Director
February 26, 2014

A handwritten signature in black ink, appearing to read "Ross Strobe", with a stylized flourish at the end.

Ross Strobe
Assistant Director
February 26, 2014