

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5653-01
Bill No.: HB 1918
Subject: Veterans; Fees; Business and Commerce
Type: Original
Date: January 25, 2018

Bill Summary: This proposal changes laws regarding business fees so that certain fees are waived for veterans.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue Fund	(\$125,570)	(\$128,723)	(\$129,304)
Total Estimated Net Effect on General Revenue	(\$125,570)	(\$128,723)	(\$129,304)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Technology Trust Fund	(\$93,705)	(\$24,300)	(\$24,420)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$93,705)	(\$24,300)	(\$24,420)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on FTE	0	0	0

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of the Secretary of State (SOS)** assume this proposal would expand a 2014 bill (HCS SB 600) to include not just active military but all veterans.

SOS states that by waiving fees under sections:

- Regarding the organization of limited liability companies and name reservations in Chapter 347.
- Regarding the organization of corporations in Chapter 351.
- Regarding the organization of not-for-profit corporations in Chapter 355
- Regarding the organization of cooperative associations in Chapter 357
- Regarding the organization of limited liability partnerships in Chapter 358,
- Regarding the organization of limited partnerships in Chapter 359,
- Regarding the organization of rural electric cooperatives in Chapter 394, and
- Regarding the registration and renewal of fictitious names in Chapter 417.
- Total State Revenue would be affected.

5% of businesses in Missouri are veteran-owned. It is assumed that not all veterans eligible for this program will utilize it so the veteran participation rate is set at 3%.

The Business Services Division began by observing projections for the total number of expected filings for FY 2019 through FY 2021 for each of the types of filing affected by this proposal. Those projections were then adjusted to reflect the 5% of businesses owned by veterans and the expected rate of 60% at which veterans would take advantage of the business creation incentives provided by this proposal, for a total of 3% of affected filings.

This proposal would expand the current program known as "Startup for Soldiers." There are 480,000 veterans in Missouri according to United States Census data from <https://www2.census.gov/library/visualizations/2015/comm/vets/mo-vets.pdf>, and 49,000 veteran owned businesses.

Missouri has around 900,000 business entities registered with SOS. Percentage of those owned by veteran is 5%

2014 Truly Agreed To and Finally Passed HCS for SB 600 bill has resulted in the below refunds or fees waived. In 2014 it was assumed 51,000 available to participate.

ASSUMPTION (continued)

Document Type	2014	2015	2016	2017	Grand Total
Application for Registration of a LLP (LLP 6)			-		-
Application for Registration of a LLP Online - 2 GP (D)			55.00		55.00
Articles of Incorporation (Corp 52) (D)				50.00	50.00
Articles of Organization Online (D)	150.00	1,450.00	650.00	700.00	2,950.00
Certificate of Fact-Fee only	25.00				25.00
Creation - For Profit (D)	116.00	232.00	58.00		406.00
Creation - LLC/LP/LLP	945.00	6,615.00	6,405.00	7,560.00	21,630.00
Creation - Non-Profit	25.00	125.00	100.00	100.00	350.00
Fictitious Name Registration	35.00	175.00	77.00	63.00	350.00
Name Reservation	25.00				25.00
Misc. Document	-	200.00	-	25.00	225.00
Grand Total	1,321.00	8,797.00	7,345.00	8,498.00	26,066.00

SOS states that the fixed fees range from \$7.00 to \$105.00. The average fee for general business filings is \$58.00.

Based on past trends of the Startup for Soldiers it is estimated that the loss of revenue would be:

General Revenue

Filing types effected	Veteran					
	Filing Count	Average Fee	Participation rate	2019FY	2020FY	2021FY
			3.00%	-	-	-
Articles of Organization Online LLC	50,068	45.00	3.00%	67,590.00	69,300.00	69,615.00
Creation - For Profit	1,517	53.00	3.00%	2,438.00	2,491.00	2,491.00
Creation - LLC/LP/LLP	15,970	100.00	3.00%	47,900.00	49,100.00	49,300.00
Creation - Non-Profit	2,316	20.00	3.00%	1,380.00	1,420.00	1,440.00
Fictitious Name Registration	86,362	2.00	3.00%	5,182.00	5,312.00	5,338.00
Name Reservation	1,803	20.00	3.00%	1,080.00	1,100.00	1,120.00
Grand Total				125,570.00	128,723.00	129,304.00

ASSUMPTION (continued)

Technology Trust Fund

Filing types effected	Filing Count	Average Fee	Veteran Participation rate			
				2019FY	2020FY	2021FY
Articles of Organization						
Online LLC	50,068	5.00	3.00%	7,510.00	7,700.00	7,735.00
Creation - For Profit	1,517	5.00	3.00%	230.00	235.00	235.00
Creation - LLC/LP/LLP	15,970	5.00	3.00%	2,395.00	2,455.00	2,465.00
Creation - Non-Profit	2,316	5.00	3.00%	345.00	355.00	360.00
Fictitious Name						
Registration	86,362	5.00	3.00%	12,955.00	13,280.00	13,345.00
Name Reservation	1,803	5.00	3.00%	270.00	275.00	280.00
Grand Total				23,705.00	24,300.00	24,420.00

SOS also assumes the office would have to conduct a business analysis in order to change the automated processes performed by our business software. The IT department would need to create new tables, reports, and software application process to allow "Benefit Corporations" to be a filing type for creation and amending, change the wording on certain screens through the online application, and update the current merge form. SOS anticipates a one-time cost of \$70,000 to change the current software operated by the Business Services Division.

Officials from the **Department of Public Safety-Veterans** assume the proposal will have no fiscal impact on their organization.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
GENERAL REVENUE FUND			
<u>Loss - SOS - certain business fees waived for veterans</u>	<u>(\$125,570)</u>	<u>(\$128,723)</u>	<u>(\$129,304)</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$125,570)</u>	<u>(\$128,723)</u>	<u>\$129,304)</u>

TECHNOLOGY TRUST FUND

<u>Cost</u> - SOS - changes to the data management system	(\$70,000)	\$0	\$0
---	------------	-----	-----

<u>Loss</u> - SOS - certain business fees waived for veterans	<u>(\$23,705)</u>	<u>(\$24,300)</u>	<u>(\$24,420)</u>
---	-------------------	-------------------	-------------------

ESTIMATED NET EFFECT ON THE TECHNOLOGY TRUST FUND	<u>(\$93,705)</u>	<u>(\$24,300)</u>	<u>(\$24,420)</u>
--	--------------------------	--------------------------	--------------------------

<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small business started by veterans would have fewer startup costs because the fees for business creation would be waived.

FISCAL DESCRIPTION

This proposal waives certain business fees when a specified organizer, majority shareholder, officer, director, or partner of a company, corporation, health services corporation, nonprofit corporation, cooperative company, or partnership is a veteran, resides in Missouri, and provides proof of military service to the Secretary of State.

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
Department of Public Safety-Veterans

Ross Strobe

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

Acting Director
January 25, 2018