

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0979-01
Bill No.: HB 555
Subject: Corporations; Secretary of State; Business and Commerce
Type: Original
Date: February 9, 2019

Bill Summary: This proposal changes the laws regarding the regulation of certain companies.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2020	FY 2021	FY 2022	Fully Implemented (FY 2024)
General Revenue	(\$421,771)	(\$295,653)	(\$254,956)	\$708,412
Total Estimated Net Effect on General Revenue	(\$421,771)	(\$295,653)	(\$254,956)	\$708,412

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2020	FY 2021	FY 2022	Fully Implemented (FY 2024)
Technology Trust	\$430	\$826	\$1,195	\$544,933
Total Estimated Net Effect on <u>Other</u> State Funds	\$430	\$826	\$1,195	\$544,933

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2020	FY 2021	FY 2022	Fully Implemented (FY 2024)
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2020	FY 2021	FY 2022	Fully Implemented (FY 2024)
Total Estimated Net Effect on FTE	0	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 2020	FY 2021	FY 2022	Fully Implemented (FY 2024)
Local Government	\$0	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Secretary of State (SOS)** assume Total State General Revenue regarding these particular filings will decrease, for Limited Liability Company, create new revenue for Benefit Corporations, and decrease for Limited Liability Partnerships.

A new filing of Information Statement for LLCs will start in 2023 and effect LLCs every five years thereafter for each new registration resulting in a positive fiscal impact.

These estimates assume various rate of participation and use an averaging of historical data to determine estimations.

347.044-347.183 (LLC)

	<u>GR 101</u>	<u>TECH 266</u>
FY2020	\$(423,855)	\$180
FY2021	\$(299,629)	\$216
FY2022	\$(260,216)	\$225

351.1400-351.1435 (B-Corp)

	<u>GR 101</u>	<u>TECH 266</u>
FY2020	\$ 2,650.00	\$ 250.00
FY2021	\$ 4,566.00	\$ 610.00
FY2022	\$ 5,805.00	\$ 970.00

358.460-358.470 (LLP)

	<u>GR 101</u>	<u>TECH 266</u>
FY2020	\$(565.00)	
FY2021	\$(590.00)	
FY2022	\$(545.00)	

ASSUMPTION (continued)

Fiscal impact for the year FY2023-FY2027 347.044-347.183 (LLC)

	<u>GR 101</u>	<u>TECH 266</u>
FY2023	\$345,686	\$180,913
FY2024	\$708,412	\$544,933
FY2025	\$351,644	\$270,496
FY2026	\$303,875	\$233,750
FY2027	\$259,675	\$199,750

Due to time constraints, **Oversight** has reflected the summation of the fiscal impact as presented by the SOS, but will continue to seek clarification and verification of the estimates provided to our office.

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022	Fully Implemented (FY 2024)
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GENERAL REVENUE

<u>Loss</u> - SOS - fee revenue reduction	(\$421,770)	(\$295,653)	(\$254,956)	
<u>Income</u> - SOS - fee revenue for LLC	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$708,412</u>

ESTIMATED NET EFFECT TO GENERAL REVENUE	<u>(\$421,770)</u>	<u>(\$295,653)</u>	<u>(\$254,956)</u>	<u>\$708,412</u>
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TECHNOLOGY TRUST FUND

<u>Loss</u> - SOS - filing fees	<u>\$430</u>	<u>\$826</u>	<u>\$1,195</u>	<u>\$544,933</u>
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ESTIMATED NET EFFECT TO THE TECHNOLOGY TRUST FUND	<u>\$430</u>	<u>\$826</u>	<u>\$1,195</u>	<u>\$544,933</u>
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<u>FISCAL IMPACT -</u> <u>Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022	Fully Implemented (FY 2024)
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

The fees that small businesses pay to the Office of the Secretary of State could change as a result of this proposal.

FISCAL DESCRIPTION

This bill changes the filing fees for specified company filings filed with the Secretary of State (SOS); creates an information statement to be filed every five years by every limited liability company and foreign limited liability company operating in the state; and establishes the category of benefit corporations.

The bill includes procedures for the SOS to cancel the registration of any limited liability company that does not file updated information statements, and a reinstatement process, with fees.

This bill creates a public benefit corporation status. To be eligible the corporation must be a for-profit company with the responsibility to operate for a "general public benefit." The company must annually provide shareholders with a benefit report that summarizes the ways in which the company pursued benefit and the extent to which it was created by measuring against a thirdparty standard. This bill specifies benefit enforcement proceedings and provisions for changing the purpose or structure of the corporation (Sections 351.1400 to 351.1435, RSMo).

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

Office of the Secretary of State



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February 9, 2019

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February 9, 2019