

State Corporation Commission 2017 Fiscal Impact Statement

1. **Bill Number:** HB1893

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed
Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. **Patron:** Herring

3. **Committee:** Science and Technology

4. **Title:** Youth-controlled online businesses; registered office.

5. **Summary:** Youth-controlled online businesses; registered office. Establishes a procedure through which a youth-controlled online business is exempted from the requirement that it establish and maintain a registered office for its first year of existence. If it avails itself of this procedure, process will be delivered to the clerk of the State Corporation Commission (the Commission). Upon such delivery, the clerk of the Commission is required to contact the registered agent of the youth-controlled online business at his email address, and the registered agent is given 10 days to accept the service. The measure defines a youth-controlled online business as a domestic stock corporation in which a majority of the members of the board of directors were, on the effective date of its incorporation, between the ages of 18 and 25 or a domestic limited liability company in which a majority of the managers of a manager-managed limited liability company or a majority of the members of a member-managed limited liability company were, on the effective date of its formation, between the ages of 18 and 25, and which entity corporation or limited liability company conducts a commercial enterprise through which it sells products, services, or advertising online using the communications infrastructure of the Internet, and further provided that its commercial establishment is not operated from a specific, identifiable, or dedicated office or other structure.

6. **Budget Amendment Necessary:** No

7. **Fiscal Impact Estimates:** The fiscal impact estimate on the State Corporation Commission is preliminary.

7a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2017	24,211	0	02173 (Cardinal)
2018			
2019			

8. **Fiscal Implications:** There will be a one time programming cost of \$24,211 to implement this legislation.

9. **Specific Agency or Political Subdivisions Affected:** State Corporation Commission

10. Technical Amendment Necessary: No

11. Other Comments: This legislation would allow young entrepreneurs to list the SCC's office (1300 E Main St, Richmond, VA - a state-owned office building), rather than a traditional business office (which can be a residence), as their legal business address of record. A primary purpose of this office (the "registered office") is to provide a physical location in the Commonwealth where a business entity can be served with legal process. This legislation embodies a change to long-established public policy that (i) requires each registered business to maintain as a matter of public record a traditional physical office in Virginia and (ii) requires an entity's registered agent to be at the entity's registered office.

As a practical matter, a business entity's registered office address often is used by other businesses, organizations and governmental agencies to contact the entity by mail or personal visit. Thus, this legislation puts the Clerk's Office of the Commission in the role of being a mail-handling facility for youth-controlled online businesses, which raises several concerns – (i) an increase in the workload of the staff of the Clerk's Office, (ii) these staff efforts are related to privately-owned businesses, (iii) a question of the desirability or appropriateness of a state agency acting as the mail processor for privately-owned businesses, and (iv) the likelihood that mail delivered to the Commission on behalf of youth-controlled online businesses will be returned to the senders or discarded and, ultimately, not reach the entities.

The enactment of this legislation establishes the precedent for other classes of business entities to seek similar advantages.

The legislation requires that the majority of the initial directors, members or managers be individuals between the ages of 18 and 25 at the time of incorporation or formation, but it does not prohibit the business entity, immediately after incorporation or formation, from replacing or enlarging the initial group with individuals older than 25.