

**State Corporation Commission
2006 Fiscal Impact Statement**

1. **Bill Number** HB1570

House of Origin Introduced Substitute Engrossed

Second House In Committee Substitute Enrolled

2. **Patron** Reid

3. **Committee** Commerce and Labor

4. **Title** Business entities; certification of legal status; penalty.

5. **Summary/Purpose:**

Business entities; certification of legal status; penalty. Requires that an individual executing a document to be filed with the State Corporation Commission pertaining to a corporation, limited liability company, business trust, limited partnership, or general partnership execute and submit a sworn and notarized affidavit certifying that the individual and every other individual identified in the document as an officer, director, shareholder, manager, member, partner, trustee, employee, or agent, as appropriate, of the business entity is either (i) a citizen of the United States, (ii) a legal permanent resident of the United States, or (iii) a conditional resident alien of the United States. The individual shall submit valid documentary evidence that the individual and every other individual so identified have such status. A violation is a Class 1 misdemeanor.

6. Fiscal Impact Estimates are:

6a. Expenditure Impact: See Item # 8; fiscal impact on computer system not available.

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2005-06			
2006-07	*\$353,583		
2007-08	\$342,669		
2008-09	\$356,755		
2009-10	\$370,841		
2010-11	\$384,927		
2011-12	\$399,013		

7. **Budget amendment necessary:** No.

8. Fiscal implications: *FY 2006-2007 \$353,583 includes salaries for 9 additional staff members, plus \$25,000 for personal computers, printers, and telephones.

House Bill 1570 amends the six business entity acts administered by the State Corporation Commission's Clerk's Office by adding to each act the requirement that documents delivered to the Clerk's Office for filing under any of the acts be accompanied by (i) an affidavit of the individual who executed the document and (ii) proof of United States citizenship or legal presence in the United States with respect to the individual executing the document as well as

every individual listed in the document as a director, officer, shareholder, member, manager, trustee, beneficial owner, partner, employee or agent, as the case may be, of the entity. The proof specified in the bill is a certified copy of a birth certificate or other type of "documentary evidence" listed in the bill for each individual named in the business entity document (the affidavit and proof of citizenship/legal presence will be referred to as "evidence").

As interpreted by the State Corporation Commission's Clerk's Office, the legislation would apply to all articles of incorporation, organization, amendment, etc. submitted to the Clerk's Office by corporations, limited liability companies and business trusts, and all certificates and statements submitted by limited and general partnerships. Also, corporate annual reports, which list a corporation's registered agent, directors and officers, would likewise be covered (as a matter of information, corporate documents filed in the Clerk's Office are not required to include the names of shareholders of stock corporations or members of nonstock corporations). Further, it is assumed that the evidence would be deemed part of the submission, which means that it would be (i) reviewed by the Clerk's Office along with the associated business entity document to determine compliance with the requirements of law and (ii) microfilmed or imaged along with the associated document (for permanent storage and public viewing purposes).

It may be helpful to provide some statistical, and related, data at this point. If House Bill 1570 had been in effect for calendar year 2005, it:

- 1) Would have applied to approximately 395,000 business entity documents delivered to the Clerk's Office for filing;
- 2) Would have caused the submission of an estimated 1,017,000 items of evidence;
- 3) Would have required the employment of at least eight or nine additional full-time employees (which would have added approximately \$300,000 to the Clerk's Office payroll) in order to timely review the additional material;
- 4) Would likely have increased dramatically the number of submissions rejected and returned for correction; and
- 5) Would have required a huge effort to educate the Clerk's Office staff about the required evidence.

In addition, the extent of computer system impacts are not known at this time, but are anticipated to be significant.

9. Specific agency or political subdivisions affected: State Corporation Commission Clerk's Office

10. Technical amendment necessary: Maybe.

11. Other comments: This bill has been assigned to the Utilities/Employment subcommittee of the House Commerce and Labor Committee.

Date: 01/27/06 J. H. Peck

cc: Secretary of Commerce and Trade