

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL MEMORANDUM**

**SB 1019 – HB 1226**

April 3, 2017

**SUMMARY OF ORIGINAL BILL:** Authorizes the electronic submission of annual reports filed by certain corporations to the Secretary of State. Authorizes the Secretary of State to submit certain reports and lists to the Department of Revenue electronically.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

IMPACT TO COMMERCE OF ORIGINAL BILL:

NOT SIGNIFICANT

**SUMMARY OF AMENDMENT (006612):** Deletes all language after the enacting clause. Decreases, from a minimum of \$300 to a flat fee of \$100, the initial filing fee and annual filing fee assessed by the Secretary of State (SOS) to domestic and foreign limited liability companies (LLCs).

**FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:**

**Decrease State Revenue – Exceeds \$28,863,300/Recurring/General Fund  
Exceeds \$892,700/Recurring/Business Services Division**

**Increase State Expenditures - \$4,000/One-Time**

Assumptions for the bill as amended:

- Pursuant to Tenn. Code Ann. § 48-247-103(d), the SOS shall collect an annual fee from each LLC with a minimum of \$300 and a maximum of \$3,000 assessed based upon the number of members within the LLC on the date of initial filing.
- Pursuant to Tenn. Code Ann. § 48-249-1007(d), the SOS shall collect from each domestic and foreign LLC applying for a certificate of authority an initial filing fee and

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annual fee from each LLC with a minimum of \$300 and a maximum of \$3,000 assessed based upon the number of members within the LLC on the date of initial filing.

- The proposed language would decrease initial filing and annual filing fees to a flat rate of \$100 for domestic and foreign LLCs.
- Based on information provided by the SOS, there are currently 23,222 LLC formations within the state and 125,558 annual reports filed.
- Each of these LLC formations and annual reports are currently assessed a minimum fee of \$300.
- The proposed language will result in a recurring decrease in state revenue estimated to exceed \$29,756,000 [(23,222 LLCs + 125,558 annual reports) x (\$300 current minimum fee assessed - \$100 proposed flat fee)].
- Pursuant to Tenn. Code Ann. § 8-21-205, 97 percent of the fees collected by the SOS for processing business documents is allocated to the General Fund and 3 percent is allocated to the Business Services Division within the SOS.
- The proposed language will result in a recurring decrease in state revenue to the General Fund exceeding \$28,863,320 (\$29,756,000 total decrease x 97.0% allocation) and a recurring decrease in state revenue exceeding \$892,680 (\$29,756,000 total decrease x 3.0% allocation) to the Business Services Division.
- Based on information provided by the SOS, the TN-BEAR computer system which processes business applications and document filings will need recoding to accommodate changes in the fees assessed resulting in a one-time increase in state expenditures of \$4,000.

## **IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:**

### **Decrease Business Expenditures – Exceeds \$29,756,000**

Assumption for the bill as amended:

- The proposed language will decrease fees currently paid by LLCs to the SOS, resulting in a recurring decrease in business expenditures exceeding \$29,756,000.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

/jrh

