

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 850 - HB 1338

February 22, 2019

SUMMARY OF BILL: Reduces the current fine required of a foreign limited liability company (LLC) for transacting business in the state without a certificate of authority, from three times the required filing fee to one single payment of the filing fee. Establishes that a foreign LLC, that has never exceeded \$1,000,000 in total sales per calendar year and that has never exceeded \$1,000,000 in sales per calendar year in this state, is exempt from the requirement to pay any of the aforementioned fee, if the state has already granted the foreign LLC a certificate of sales and use tax exemption or certificate of registration, or has otherwise formally and in writing acknowledged the company's authority to conduct business in this state.

ESTIMATED FISCAL IMPACT:

**Decrease State Revenue – \$88,500/Recurring/General Fund
\$2,700/Recurring/Secretary of State**

Increase State Expenditures – \$18,700/One-Time/Secretary of State

Assumptions:

- According to the Secretary of State's Office (SOS), a vendor will be required to modify the Tennessee Business Entity Annual Reporting System (TN-BEAR),
- A one-time increase in state expenditures of \$18,696 to modify the TN-BEAR (152 coding hours x \$123 per hour).
- Based on information provided by the SOS, in FY17-18, the Division of Business Services collected \$911,960 in penalty fees.
- This legislation will reduce the amount of penalty fee collections for the Division by 10 percent, or \$91,196 (\$911,960 x 10%).
- Pursuant to Tenn. Code Ann. § 8-21-205, 97 percent of fee revenue is allocated to the General Fund and the remaining 3 percent remains with the SOS.
- A recurring decrease in state revenue to the General Fund of \$88,460 (\$91,196 x 97%) and a recurring decrease in state revenue to the SOS of \$2,736 (\$91,196 x 3%).

IMPACT TO COMMERCE:

Increase Business Revenue – \$18,700/FY19-20

**Decrease Business Expenditures – Net Impact – \$72,500/FY19-20
\$91,200/FY20-21 and Subsequent Years**

Assumptions:

- The SOS vendor will experience a one-time increase in business revenue and an equivalent one-time increase in business expenditures in FY19-20 of \$18,696.
- Foreign LLCs will experience a recurring decrease in business expenditures of \$91,196, beginning in FY20-21. The net decrease in business expenditures in FY19-20 is estimated to be \$72,500 (\$91,196 - \$18,696).

CERTIFICATION:

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



Krista Lee Carsner, Executive Director

/jdb