

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: Senate Bill 158

SHORT TITLE: Administrative Dissolution/Annual Report

SPONSOR(S): Senators Hartsell, Foxx and Odom

FISCAL IMPACT

	Yes (x)	No ()	No Estimate Available ()		
	<u>FY 1997-98</u>	<u>FY 1998-99</u>	<u>FY 1999-00</u>	<u>FY 2000-01</u>	<u>FY 2001-02</u>
REVENUES:	-1,250,000	-1,250,000	-1,250,000	-1,250,000	-1,250,000
EXPENDITURES:					
Dept. of Revenue:	70,515 R 64,400 NR	127,749 R	127,749 R	127,749 R	127,749 R
Secretary of State:	+2,500	-73,000	-73,000	-73,000	-73,000
POSITIONS:					
***Dept. of Revenue:	3 PFT* 1 Temp	3 PFT 1 Temp	3 PFT 1 Temp	3 PFT 1 Temp	3 PFT 1 Temp
Secretary of State:	-.4FTE**	-.4FTE	-.4FTE	-.4FTE	-.4FTE

PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Revenue, Secretary of State

EFFECTIVE DATE: Administrative dissolution provisions and appropriation provision are effective July 1, 1997. Remainder of act is effective Jan. 1, 1998.

* PFT refers to Permanent Full Time
 ** FTE refers to Full Time Equivalent

BILL SUMMARY: *TO EXPAND THE TIME CORPORATIONS AND LIMITED LIABILITY COMPANIES MAY APPLY FOR REINSTATEMENT FROM ADMINISTRATIVE DISSOLUTION, TO INCREASE THE FEE CORPORATIONS MUST PAY FOR REINSTATEMENT AFTER ADMINISTRATIVE DISSOLUTION, TO ESTABLISH A FEE LIMITED LIABILITY COMPANIES MUST PAY FOR REINSTATEMENT AFTER ADMINISTRATIVE DISSOLUTION, AND TO PROVIDE THAT ANNUAL REPORTS OF BUSINESS CORPORATIONS AND LIMITED LIABILITY COMPANIES SHALL BE FILED WITH THE DEPARTMENT OF REVENUE RATHER THAN THE SECRETARY OF STATE, AS RECOMMENDED BY THE GENERAL STATUTES STUDY COMMISSION.* Makes changes related to (1) the reinstatement of administratively dissolved corporations and limited liability companies and (2) the filing of corporate annual reports.

Reinstatement of dissolved corporations and limited liability companies. Amends GS 55-14-21(a) and GS 57C-6-03(c) to provide that administratively dissolved corporations and limited liability companies may apply to the Secretary of State for reinstatement within five years (now, two years) of dissolution. Amends GS 55-1-22 and GS 55A-1-22 (business corporations and nonprofit corporations) and GS 57C-1-22 (limited liability companies) to set the fee to be charged by the Secretary of State for such reinstatements at \$200 for each year, or portion of year, between the dissolution and application for reinstatement.

Corporate report filing. Amends GS 55-16-22 (business corporations) and GS 57C-2-23 (limited liability companies) (1) to direct the filing of annual reports to the Secretary of Revenue (now, Secretary of State), (2) to provide that if specified information from the previous year's annual report has not changed, a certification to that effect may be filed in lieu of a new report, and (3) to change the due date for filing the annual report to the due date for filing the corporation's or company's tax return (now, trigger date is tied to organizational date). Deletes from GS 55-16-22 the requirement that the annual report contain the names and addresses of the corporation's directors. Amends GS 105-257.1 to direct the Secretary of Revenue to submit the annual reports to the Secretary of State, and sets fee for limited liability companies for filing annual report at \$200. Provides that annual reports erroneously filed with the Secretary of State through the end of 1998 will be deemed filed correctly.

Appropriates from General Fund to Department of Revenue \$192,151 for 1997-98 for costs associated with collecting and transmitting reports.

Source of above text: North Carolina General Assembly Bill Digest System

ASSUMPTIONS AND METHODOLOGY:

Revenues

The Office of Secretary of State reports that 125,000 foreign and domestic corporations file an annual report yearly and pay the \$10.00 fee. This act repeals the \$10.00 fee creating a loss in General Fund revenue of \$1.25million annually.

Expenditures - Department of Revenue

As proposed the bill requires corporations and limited liability companies to file their annual report with the Department of Revenue instead of with the Office of the Secretary of State. The annual report would be filed by the due date of the applicable tax return or at the time for filing a request for an extension. The Department would collect the \$200 Limited Liability Company fee and submit the annual reports to the Secretary of State for processing. Approximately 125,000 corporations and 10,000 limited liability companies would file annual reports each year with the Department. According to the department this new responsibility would impact four areas in the Department -- Management Information Systems Division, Corporate Tax & Personal Taxes Division, Accounting Division, and Office Examinations & Office Services Division. The specific work requirements of each division and increased costs are outlined below:

Management Information Systems Division

- o Create a shared data base between DOR and SOS to exchange information on tax due dates, extensions processed, number of returned filed, and number of corporations registered.
 - o Modify ITAS to establish a new tax type to accept the \$200 LLC payment.
 - o Conduct annual file transfers and maintenance.

Applications Development	\$42,000 (NR)
SIPS Development Costs	22,400 (NR)
SIPS Computer Charges	11,200 (R)

Corporate Tax & Personal Taxes Division

- o Design and print annual report form with instructions, and include in corporate and partnership booklets to be mailed to taxpayers.

Tax Forms and Postage	\$35,000 (R)
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Accounting Division

- o Deposit the \$200 fee remitted by limited liability companies.
- o Screen approximately 250,000 tax returns to separate the annual reports from corporate and partnership tax returns. (Locating the report in a typical 10-50 page

Fiscal Note
Senate Bill 158

return will require additional resources since the annual reports will be filed during the annual tax rush period.)

- o Sort the tax returns and annual reports. Prepare annual reports with remittances for the deposit process.
 - o Red ring, write substitute documents or perform tasks associated with manual deposit of the remittance.
- o Reconcile the bundles of reports to the funds deposited from this fee.
- o Perform research of remittances upon request of taxpayers and the Secretary of State's Office.

(2)Processing Assistant III	\$44,650 (R) - Eff. 1.1.98
Clerk III - Temporary	4,500 (R) - Eff. 1.1.98
Substitute Documents	1,080 (R)

Although corporate returns are filed throughout the year, a reduction in the estimated cost may be realized in this division with -- 1) consideration of peak periods in the year when corporate returns are filed, and assessing workload requirements to employ temporary staff during that period; 2) scrutiny of the 38 Processing Assistant positions at levels III, IV, and V employed by the division and potential reassignment of workloads; or 3) employing additional temporary staff, only. If the peak period for the receipt of corporate returns occurs each year between January and April, the Department could assign temporary personnel employed during the annual tax season to this division to assist with this responsibility.

Office Examinations & Office Services Division

- o Coordinate the content of data transferred between the two agencies.
- o Perform an ongoing reconciliation of the number of corporations on file with the Secretary of State's Office to the number of corporations filing tax returns with the Department of Revenue.
- o On-going transport annual report forms to Secretary of State's Office.
 - o Assisting with requests for letters of good standing, delinquent returns, and the process of recommendation for dissolution.
- o Research files to ascertain that the annual report was or was not attached to the tax return.
- o Follow up with companies that do not remit payment with the annual report.
- o Answer telephone calls from taxpayers regarding the annual report.
 - o Resolve any issues with Secretary of State's Office regarding the annual report.

Fiscal Note
Senate Bill 158

Tax Technician	\$27,819 (R) - Eff. 1.1.98
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Taxpayer Assistance Costs

3,500 (R)

Expenditures - Secretary of State

Under the bill, the Secretary of State will continue to maintain annual report records, and administer the annual report program. However, the Secretary of State will no longer be required to remind corporations to file the annual report, send out blank annual report forms, or collect and deposit annual report fees for business corporations. The Secretary of State estimates it would save \$66,000 per year from the elimination of correspondence and other paperwork associated with these responsibilities. These savings are chiefly in envelopes, postage, and SIPS data processing charges.

The Secretary of State also estimates that it would be able to eliminate salaries and benefits for one full-time cash management position and temporary wages for another part-time cash management position. The Secretary of State estimates these salaries and wages at about \$44,000. However, the Secretary of State believes it will also need additional temporary labor to manage the peak work load associated with the new filing deadlines, and to help coordinate the flow of information with the Department of Revenue. The Secretary of State believes it can meet these additional demands with three temporary employees working six months per year, at a cost of about \$37,000 per year.

Because the changes in administration would not be effective until the last half of the 1997-98 fiscal year, we assume that only half of the recurring savings discussed above would be realized in FY 1997-98.

The Secretary of State will need to modify its annual reports and corporations databases so that these databases can include new information and interact with data from the Department of Revenue. The Secretary of State estimates one-time costs of computer programming to be around \$39,000. We assume that this cost would be incurred in 1997-98.

FISCAL RESEARCH DIVISION

733-4910

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DATE: April 9, 1997



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