

2009 Regular Legislative Session
FISCAL ANALYSIS OF PROPOSED LEGISLATION
Prepared by the Oregon Legislative Fiscal Office

MEASURE NUMBER: HB 3405 **STATUS:** A Engrossed
SUBJECT: Corporate income tax provisions and Secretary of State business filing fees
GOVERNMENT UNIT AFFECTED: Department of Revenue and Secretary of State
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REVIEWED BY: Laurie Byerly and Daron Hill
DATE: June 4, 2009

	<u>2009-2011</u>	<u>2011-2013</u>
EXPENDITURES:		
Department of Revenue		
Personal Services – General Fund	\$ 851,230	\$ 1,028,154
Services and Supplies – General Fund	\$ 610,952	\$ 263,325
Capital Outlay – General Fund	\$ 39,069	\$
Total General Fund Expenditures	\$ <u>1,501,251</u>	\$ <u>1,291,479</u>
 REVENUES:		
Secretary of State		
Domestic Business Filing Fees	\$ **	\$ **
Foreign Business Filing Fees	\$ **	\$ **
Uniform Commercial Code Filing Fees – Other Funds	\$ 525,000	\$ 600,000
Notary Public Commission Fees – Other Funds	\$ 444,360	\$ 507,840
Total Other Funds Revenues	\$ <u>969,360</u>	\$ <u>1,107,840</u>

** See Revenue Impact Statement prepared by the Legislative Revenue Office.

POSITIONS / FTE:		
Department of Revenue	9.00/7.36	9.00/9.36

EFFECTIVE DATE: 91st day after sine die.

LOCAL GOVERNMENT MANDATE: This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

COMMENTS: The bill increases the C-corporation, S-corporation and partnership minimum tax; creates a second marginal corporate tax rate; modifies the Secretary of State filing fees from \$50 to \$100 for domestic corporations and to \$275 for foreign corporations; increases fee to file a 5-year uniform commercial code financing statement from \$10 to \$15; increases the application fee for a 4-year notary public commission from \$20 to \$40; and deletes provisions that directed unexpended and unobligated balance in the Secretary of State Operating Account be transferred to the General Fund.

The Department of Revenue (DOR) anticipates that approximately 21,000 C-corporation, 54,000 S-corporation and 50,000 partnerships will begin paying increased minimum taxes. The bill is expected to increase compliance issues, tax processing volumes, collections, customer service needs, and system programming costs. In total, DOR estimates that they will need \$1.5 million General Fund and nine positions (7.36 FTE) to implement the bill to ensure appropriate collections and compliance with the new

tax structures in the 2009-11 biennium. Approximately \$350,000 of this total is for contract services to support computer system modifications that will ultimately make collections and tax processing functions more efficient.

The increase in domestic and foreign business filing fees paid to the Secretary of State (SOS) are discussed in the Revenue Impact Statement. The portion of the business filing fees that is retained by the SOS is maintained at \$20 per fee, which makes the revenue impact on SOS zero. Historically, the \$20 retained by SOS is used to cover administration of the program with any balance being transferred to the General Fund at the end of each biennium. The bill allows the SOS to accumulate business filing fees fund balances as reserves. This change is expected enable SOS to accumulate approximately \$3 million in reserves for the 2009-11 biennium.

SOS anticipates receiving increased Other Funds revenues of approximately \$1 million from Uniform Commercial Code and Notary Public Commission fee increases. SOS anticipates using the increased revenues to cover funding shortfalls in these programs. Anticipated revenues are expected to return these programs to being fully self-sustaining. To implement this bill the SOS anticipates needing to invest an additional \$26,000 Other Funds in Services and Supplies to modify computer systems to accommodate the new fee structure. At this time, SOS anticipates being able to fund this additional expenditure within existing limitation.