

**Legislative
Fiscal Office**

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**Joint Committee on
Ways and Means**

Sen. Richard Devlin, Senate Co-Chair
Rep. Nancy Nathanson, House Co-Chair

Sen. Betsy Johnson, Senate Co-Vice Chair
Sen. Jackie Winters, Senate Co-Vice Chair
Rep. Dan Rayfield, House Co-Vice Chair
Rep. Greg Smith, House Co-Vice Chair

To: General Government Subcommittee
From: Steven Bender, Legislative Fiscal Office
Date: June 27, 2017
Subject: HB 2191 – Relating to business entities
Work Session Recommendations

HB 2191-A expands the functions of the Corporation Division in the Secretary of State. HB 2191 was reported out of the House Committee on Business and Labor on April 17, and referred to the Joint Committee on Ways and Means by prior reference.

The measure authorizes the Secretary of State to investigate alleged or potential violations of business registration statutes, and to require business entities to provide a list of shareholders and respond to questions relating to potential violations of business registration law. It permits the Secretary of State to impose penalties, cancel or revoke incorporation or dissolve a business entity that violates statutes or fails to cooperate with an investigation. The measure permits judicial dissolution of a business entity that the court finds was a shell entity that was used, incorporated or organized for illegal purpose, to defraud or deceive another person or to conceal business activity from another person or governmental agency. Also, the bill permits the Attorney General to bring action for dissolution of shell entities.

Recommended Changes

The Legislative Fiscal Office (LFO) recommends adoption of the -A10 amendments. These amendments modify the requirements for the Department of Revenue to recommend administrative dissolution of a corporation, and allow the court to award attorney fees to the Attorney General for actions taken under the provisions of the bill.

The amendments also increase the Other Funds expenditure limitation for the Corporation Division by \$157,718. The agency will use Corporate Registration Fee revenue to finance these expenditures. LFO further recommends establishing one permanent, full-time Compliance Special 3 position (0.88 FTE), for carrying out the provisions of the bill. Finally, the amendments add an emergency clause and a July 1, 2017 effective date to the bill, but they do not change the January 1, 2018 operative date of the bill's provisions.

MOTION: I move adoption of the -A10 amendment to HB 2191-A. (VOTE)

Final Subcommittee Action

LFO recommends that HB 2191, as amended by the -A10 amendments, be moved to the Ways and Means Full Committee.

MOTION: I move HB 2191, as amended, to the Full Committee with a do pass recommendation. (VOTE)

Carriers

Full Committee: _____

House Floor: _____

Senate Floor: _____