

Fiscal Estimate Narratives

DFI 4/6/2010

LRB Number	09-4122/1	Introduction Number	AB-0902	Estimate Type	Original
Description Low-profit limited liability companies					

Assumptions Used in Arriving at Fiscal Estimate

This bill creates a new business entity type, the L3C, a type of Limited Liability Company (LLC) that is organized as a low-profit limited liability company. Under the bill, an L3C is created to advance a religious, charitable, scientific, or education purpose as defined under federal tax law. The legislation provides for administrative dissolution when the L3C does not submit an annual report or no longer meets the L3C criteria.

Costs

Information Technology

The Department will need to develop a new entity type in the Corporate Registration Information System (CRIS), the database of information on business organizations and non-profits registered with the department. This will include developing a new annual report format with potentially additional reporting requirements beyond that required for other entity types. The system will need to accommodate possible additional requirements as well as allow for tracking a conversion from an L3C to a regular LLC. Currently there are no entity types that can directly convert to a different business type. New reports and forms will need to be created. It is estimated the information technology costs associated with this bill will be approximately \$50,000 for project development and programming time.

Program Administration

Because this is a new entity type that may appear to be beneficial to a number of organizations currently registered as LLC's or non-profits, there are likely to be a significant number of inquiries requesting details and guidance associated with this legislation. Knowledge of IRS law will be important to respond to questions and review forms. There will likely need to be coordination with the Dept. of Revenue. Because of the specific criteria included in the bill, it is not likely the filings can be filled without attentive review of the documents to determine compliance with the requirements. Administrative Rules will need to be developed to address issues of creating the entity type, documentation and conversion associated with this new organization structure. It is estimated that approximately 0.5 FTE will be required to administer the requirements associated with this new entity type. At a salary of \$25,000 plus 41% fringe benefits, the cost for this 0.5 position is approximately \$35,300.

Total Costs:

Information Technology \$50,000

Program Administration \$35,300

Total \$85,300

It is not known at this time how many L3C's will be created. Depending on IRS regulations, there may be organizations that choose to take advantage of the new entity type. It is not likely, however, to produce a substantial number of new entities, as most are likely already registered with the Department. Therefore, revenue is not likely to be affected significantly.

Long-Range Fiscal Implications