



[SF 2054](#) – Administrative Dissolution of Business Entities, Requirements (LSB5870XS.1)
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Fiscal Note Version – Final Action

Description

[Senate File 2054](#) eliminates the requirement for an administratively dissolved business entity to submit its federal tax identification number on the application for administrative reinstatement to the Office of the Secretary of State (SOS). The Bill also eliminates the requirement for the SOS to refer the applicant's federal tax identification number to the Department of Workforce Development (IWD). The Bill eliminates the federal tax identification requirement from the following business entity types:

- Limited liability companies under Iowa Code section [489.710](#).
- Business corporations under Iowa Code section [490.1422](#).
- Closed cooperatives under Iowa Code section [501.813](#).
- Nonprofit cooperatives under Iowa Code section [504.1423](#).

Background

The SOS may conduct administrative dissolution proceedings for entities that fail to meet statutory requirements found in Iowa Code section [489.708](#). A business entity that has been subject to administrative dissolution that later seeks reinstatement must currently include its federal tax identification number as part of the application for reinstatement, pursuant to Iowa Code section 489.710. The SOS is then required to refer the tax identification number to the IWD so that the IWD can report to the SOS whether a filing delinquency or liability exists against the entity. If a delinquency or liability exists, the SOS will not cancel the certificate of dissolution until the filing delinquency or liability is resolved by the entity. The workflow for reinstatements is filed online through the SOS's Fast Track Filing System. Information is automatically sent to the IWD to review and approve or reject based on the corporation's unemployment insurance tax status.

Over the last 10 years, there have been 1,404 entities that underwent administrative dissolution that did not move for administrative reinstatement. The debt owed by these entities is approximately \$8.9 million.

Assumptions

- The estimated tax debt recovered in the last 10 years by the IWD through the administrative reinstatement process was approximately \$3.0 million from 1,400 businesses or \$300,000 annually.
- The IWD anticipates, but is unable to calculate, additional resources or full-time equivalent (FTE) positions needed to collect outstanding debt without the current administrative reinstatement process.
- The cost to the SOS to remove the IWD from the Fast Track Filing System is estimated at \$2,000. Any costs will be paid from the Technology Modernization Fund.

Fiscal Impact

Senate File 2054 may result in a reduction in the amount of current tax debt recovered for the Unemployment Insurance Trust Fund and may require the IWD to hire additional FTE positions to collect outstanding debt; however, the fiscal impact cannot be estimated.

Sources

Secretary of State
Iowa Workforce Development

/s/ Jennifer Acton

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The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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