



[SF 579](#) – Model Business Corporation Act (LSB1234SZ)
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Fiscal Note Version – New

Description

[Senate File 579](#) amends and creates new provisions under Iowa Code chapter [490](#), the Iowa Business Corporation Act (IBCA), relating to domestic or foreign for-profit corporations authorized to do business in Iowa.

Background

The IBCA governs the default requirements of for-profit corporations, including creation, organization, operations, and relationships of the corporation. The IBCA was created in 1989 based on legislation by the American Bar Association (ABA) referred to as the [Model Business Corporation Act](#) (MBCA) and has subsequently been amended to reflect changes in the MBCA. Senate File 579 includes amendments to the IBCA that reflect the current version of the MBCA, which was adopted by the ABA in 2016. The Secretary of State (SOS) administers the IBCA.

In addition to making changes to existing law, Division I, Section 4, and Division III of the Bill have been identified as having potential fiscal impacts and are outlined below.

Division I, Section 4: This Division reconfigures various SOS filing fees for business entities governed under the IBCA and increases the electronic biennial report electronic filing fee from \$45 to \$60. The changes are effective January 1, 2022.

Background

As established in Iowa Code chapter [9](#), the SOS's Office, Business Services Division, is responsible for reviewing, processing, approving, and filing, on a limited basis, statutory documents relating to domestic and foreign business entities operating within Iowa. Each domestic and foreign corporation registered to do business in the State must deliver to the SOS a biennial report containing information related to the two-year period preceding the calendar year in which the report is filed.

2017 Iowa Acts, [chapter 170](#) (FY 2018 Standing Appropriations Act), created a Technology Modernization Fund under the control of the SOS. From each fee collected by the SOS, the amount credited to the Fund equals the difference between the fee amount collected and the amount assessed for the same fee on June 30, 2017. No more than \$2.0 million is credited to the Fund in a fiscal year, and moneys in the Fund are appropriated to the SOS for purposes of modernizing technology used by the SOS's Office to fulfill its duties. The Fund will be repealed on July 1, 2022 (FY 2023). The Fund is codified in Iowa Code section [9.4A](#).

In 2017, the SOS set biennial report filing fees in rule [721 IAC 40.8\(3\)](#) for business entities governed under the IBCA. Fees for electronic filings were set at \$45 per biennial report, and fees for paper filings were set at \$60 per biennial report. Biennial report filing fees were previously set at \$30 for electronic filings and \$45 for paper filings.

Assumptions

- Business entities governed under the IBCA file biennial reports with the SOS in even-numbered years. Limited liability corporations (LLCs) file biennial reports in odd-numbered years.
- Senate File 579 sets the biennial report filing fee at \$60 for business entities governed under the IBCA, regardless of filing mechanism, and the filing fee will remain at \$60 following the repeal of the Technology Modernization Fund on July 1, 2022.
- The SOS's Office will still continue to collect \$15 per biennial report as established in 2017 Iowa Acts, [chapter 170](#), for deposit into the Technology Modernization Fund until July 1, 2022.
- The additional fee revenue collected by the SOS from the increased biennial report filing fee for electronic filings established in SF 579 will be deposited into the General Fund beginning January 1, 2022.
- Following the repeal of the Technology Modernization Fund on July 1, 2022, all filing fee revenue from biennial reports will be deposited into the General Fund.
- In FY 2020, the SOS processed 62,987 total biennial reports, of which 60,307 were filed electronically. While some of those filings may have included late LLC biennial reports, the majority of the filings were submitted by business entities governed under the IBCA. For estimation purposes, it is assumed that there will be approximately 60,000 biennial reports filed electronically in FY 2022 and each even-numbered fiscal year thereafter.
- In FY 2020, biennial report filing fee revenue was \$2.9 million. The majority of that revenue was from business entities governed under the IBCA.

Fiscal Impact

Senate File 579 is projected to increase annual fee revenue in FY 2022, FY 2024, and subsequent even-numbered fiscal years by an estimated \$900,000. This increased fee revenue would be deposited into the General Fund. Following the repeal of the Technology Modernization Fund on July 1, 2022, the fees collected will be deposited into the General Fund beginning in FY 2024.

Senate File 579 also creates a new fee for reinstatements without amended articles. However, no historical data exists to make a fiscal impact estimate for this provision.

Division III: The Bill creates a Business Administration Fund under the SOS to collect surcharges from requested preclearance and expedited filing services. **Table 1** and **Table 2** include the services provided and the amount of surcharge assessed.

Table 1 — Preclearance Filing Services

Service	Surcharge
Same-Day Service	\$250
Two-Day Service	Twice the amount of the filing fee
Three-Day Service	Same amount as the filing fee

Table 2 — Expedited Filing Services

Service	Surcharge
Two-Day Service	\$50
Five-Day Service	\$15

Surcharges are to be added to the amount of the fee implemented, assessed, and collected for the actual filing of the document. All moneys are to be deposited into the Business Administration Fund, and moneys in the Fund are to be appropriated to the SOS's Office for the purpose of supporting the administration of business entities under Iowa Code [Title XII](#). The SOS's Office is to adopt rules pursuant to Iowa Code chapter [17A](#) to administer these extra services, and the Bill grants the SOS's Office the authority to offer extra filing services upon request by filers, increase the amount of a surcharge, or modify the period of service.

Assumptions

- The surcharge amount does not change.
- The number of filings affected is an approximation and may change due to increases or decreases in demand.
- Surcharge revenue will be retained by the SOS's Office to ensure sufficient staffing is available to address demand in filings.

Fiscal Impact

The total revenue generated as a result of the preclearance and expedited filing services will depend on the demand for the services. The SOS's Office anticipates an annual revenue increase of between approximately \$25,000 to \$75,000 as a result of the added filing services.

Sources

Secretary of State
LSA analysis

/s/ Holly M. Lyons

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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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