



Fiscal Note

Fiscal Services Division

[HF 844](#) – Model Business Corporation Act (LSB1234HZV.1)
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Fiscal Note Version – Final Action

Description

[House File 844](#) makes a variety of changes to the Iowa Code regarding corporations. A brief description by division is below.

Division I – 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, including the establishment of benefit corporations.

Division II – Provides for the remote participation of certain persons holding voting rights in for-profit corporations organized under Iowa Code chapter [491](#), insurers organized under Iowa Code chapters [515](#), [518](#), and [518A](#), cooperative entities organized under Iowa Code chapters [499](#), [501](#), and [501A](#), and nonprofit organizations organized under Iowa Code chapter [504](#).

Division III – Creates preclearance and expedited filing services under the Secretary of State's (SOS) Office to filers of documents.

Division IV – Amends and adds provisions related to the establishment, operation, and maintenance of a foreign-trade zone 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. House File 844 includes amendments to the IBCA that reflect the current version of the MBCA, which was adopted by the ABA in 2016. The SOS's Office administers the IBCA.

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](#), 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 can be 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 \$60 for paper filings. Prior to 2017, biennial report filing fees were 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.
- House File 844 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 this Bill 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 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 — Division I

House File 844 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 total fees collected will be deposited into the General Fund beginning in FY 2024.

House File 844 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 — Division III

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 and \$75,000 as a result of the added filing services.

Sources

Secretary of State
LSA analysis

/s/ Holly M. Lyons

June 10, 2021

Doc ID 1220569

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.
