



# OHIO LEGISLATIVE SERVICE COMMISSION

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## Fiscal Note & Local Impact Statement

**Bill:** S.B. 179 of the 132nd G.A.

**Status:** As Reported by Senate Government Oversight & Reform

**Sponsor:** Sen. LaRose

**Local Impact Statement Procedure Required:** No

**Subject:** Provides for the dissolution of certain limited liability companies under certain conditions

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### Fiscal Highlights

- The Secretary of State may incur administrative costs to follow the procedures specified in the bill to cancel or reinstate articles of organization for limited liability companies (LLCs). The \$25 reinstatement fee prescribed by the bill would, at least partially, offset these costs.
- The Secretary of State may also incur minimal IT-related costs to maintain, as required by the bill, a searchable list on its website of LLCs that have filed certificates of dissolution and implement, as permitted by the bill, an electronic notification system.

### Detailed Fiscal Analysis

The bill makes various changes to the operations of LLCs, corporations, nonprofit corporations, and unincorporated nonprofit associations. Many of these proposed changes have no direct fiscal effect on the state and local governments (see the LSC Bill Analysis for S.B. 179 for more details). This analysis focuses on the four provisions with fiscal effects, three of which affect the operations of the Business Services Division of the Secretary of State, which is supported by fee revenue deposited into the Business Services Fund (Fund 5990). The fourth provision specifies the appropriate court of common pleas to hear issues involving a dissolved LLC. The overall fiscal effect of these four provisions appears to be minimal.

### Secretary of State

The bill provides a mechanism for the Secretary of State to automatically cancel articles of organization for LLCs that fail to maintain an agent in Ohio or fail to notify the Secretary of State of the agent's change of address. The bill also provides a procedure for the reinstatement of an LLC after its articles of organization have been automatically canceled. To be reinstated, such an LLC must (1) file, on a form prescribed by the Secretary of State, an application for reinstatement, (2) appoint an agent in Ohio and apprise the Secretary of State of the agent's address, and (3) pay a \$25 filing fee. The steps that the Secretary of State is to take to cancel or reinstate the articles

of organization of an LLC under the bill could lead to some small increase in administrative work for the Business Services Division. Typically, LLC filings account for the largest amount of business filings that are handled by the Secretary of State on a monthly basis. For example, of the slightly more than 10,800 new business filings made in October 2018, nearly 7,700 were related to LLC filings. Most likely, the number of cases in which the Secretary of State would cancel the articles of organization would be small relative to the total number of filings. The Secretary of State could see some minimal gains in reinstatement fee revenue, which is deposited into Fund 5990. This additional revenue would partially offset the additional costs incurred by the Secretary of State as a result of the bill.

The bill requires the Secretary of State to make a searchable list on its website of all domestic LLCs that have filed certificates of dissolution. Information related to the dissolution must be maintained on the website for at least five years after the date that the certificate of dissolution is filed. The Secretary of State may incur minimal IT costs related to this provision.

Finally, the bill permits the Secretary of State to implement an electronic notification system that allows an individual to request to be notified when a business name containing a word or specific words has been registered. Currently, this information is available to the individual seeking it through a search function on the Secretary of State's website. If the Secretary of State chose to go beyond the current system and create a new automatic notification system, it may incur some additional IT costs.

### **Courts of common pleas**

The bill provides a rule to determine the appropriate court to hear issues involving a dissolved LLC. It specifies that the court of common pleas in which a dissolved LLC's principal office is or was to be located instead of "the court of common pleas" under current law has authority over the winding up of the LLC's affairs. It specifies several matters with respect to which the court may order and adjudge. While the bill may result in a different court of common pleas hearing issues involving a dissolved LLC, the overall fiscal effect on the courts of common pleas of this change is likely to be minimal.