

SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

BILL NO. House Bill 1600

PRINTER NO. 3511

AMOUNT

Revenue loss of \$392,000 - \$700,000
Revenue loss of \$168,000 - \$300,000

FUND

General Fund
Corporation Bureau Restricted Account

DATE INTRODUCED

September 29, 2015

PRIME SPONSOR

Representative Mackenzie

DESCRIPTION AND PURPOSE OF BILL

House Bill 1600 amends Title 51 (Military Affairs) to provide an exemption for the payment of a business fee for a veteran-owned or reservist-owned small business. A business fee is defined as a fee required to be paid to the Commonwealth or a political subdivision for starting or opening a business in Pennsylvania.

A veteran or reservist must provide the Department of Military and Veteran's Affairs or licensing authority of a political subdivision with proof of the veteran's or reservist's status using any of the following with any business application:

1. A copy of a Federal DD-214 form;
2. A copy of a Federal NGB-22 form;
3. A valid Federal Veterans' Administration card; or
4. A valid Department of Defense-issued military identification card.

The Department of State (Department) or licensing authority of a political subdivision, in consultation with other Commonwealth agencies, may determine an applicant's status as a veteran or reservist.

The legislation requires the Department to annually determine the total number of business fee exemptions applied for and issued and the total dollar amount of the exemptions. The Department shall annually submit a report to the chair and minority chair of the Veterans Affairs and Emergency Preparedness Committee of the Senate and the House of Representatives.

This legislation shall take effect in 60 days.

FISCAL IMPACT

The Department's Bureau of Corporations and Charitable Organizations (BCCO) would exempt qualifying veterans and reservists from paying any fee for starting or opening a small business entity. This would include all creation documents for corporations, limited partnerships, limited liability partnerships, limited liability companies, and fictitious names.

According to the Governor's Budget Office, BCCO receives and files over 80,000 such creation documents annually. The fees for these items are statutorily set and range from \$70 to \$125. Based on national statistics, one in 10 small businesses in

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Pennsylvania is veteran-owned. If the fees for 10% of new filings (8,000) would be waived, it would result in a \$560,000 to \$1 million loss of total revenue annually. Because BCCO retains 30 percent of all corporate filing revenues, the annual loss to the BCCO Restricted Account would be \$168,000 to \$300,000. The remaining 70 percent is deposited into the General Fund and would have a negative impact of approximately \$392,000 to \$700,000.