

PREPARED BY: Scott Danigole  
 DATE PREPARED: March 27, 2018  
 PHONE: 471-0055

**LB 1121**

Revision: 01

Revised to reflect all amendments adopted to date.

**FISCAL NOTE**  
**LEGISLATIVE FISCAL ANALYST ESTIMATE**

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2018-19</b>		<b>FY 2019-20</b>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

**Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.**

LB 1121 changes provisions of the Nebraska Uniform Limited Liability Company Act and creates the Nebraska Uniform Protected Series Act.

The Nebraska Uniform Protected Series Act allows for the creation of a new type of limited liability companies and the associated filings and information that would be reported.

The Department of Revenue does not know if income would be calculated for the entire LLC or which each series is a separate entity for tax purposes. The Department estimates no General Fund revenue impact and minimal costs to implement.

The Secretary of State would need to reprogram the business services filing system at an estimated cost of \$350,000. There is no basis to disagree with this estimate.

Based on the bill's provisions related to filing fees for the new types of filings, the Secretary of State estimated a slight reduction in General Fund, as well as Cash Fund, revenue. There is no basis to disagree with these estimated.

As amended, the act becomes operative January 1, 2021. The table above shown no costs nor revenue decreases since fiscal impact will not be realized until after the fiscal years shown above.

<b>ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSE</b>			
LB: 1121	AM:	AGENCY/POLT. SUB: Nebraska Department of Revenue	
REVIEWED BY: Ann Linneman	DATE: 2-1-18	PHONE: <a href="tel:4024714180">(402) 471-4180</a>	
COMMENTS: No basis to disagree with the Nebraska Department of Revenue's assessment of fiscal impact.			

<b>ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSE</b>			
LB: 1121	AM:	AGENCY/POLT. SUB: Nebraska Secretary of State's Office	
REVIEWED BY: Ann Linneman	DATE: 1-30-18	PHONE: <a href="tel:4024714180">(402) 471-4180</a>	
COMMENTS: No basis to disagree with the Nebraska Secretary of State's Offices' assessment of fiscal impact.			

State Agency Estimate

State Agency Name: Department of Revenue					Date Due LFA: 2/2/2018
Approved by: Tony Fulton	Date Prepared: 1/31/2018				Phone: 471-5896
	<b>FY 2018-2019</b>		<b>FY 2019-2020</b>		<b>FY 2020-2021</b>
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u> <u>Revenue</u>
General Funds					
Cash Funds					
Federal Funds					
Other Funds					
<b>Total Funds</b>					

LB 1121 is a supplement to LB 292 (2017) which is held in Committee and would authorize the creation, governance, distributions to and liability of members, and dissolution of series limited liability companies (LLC). A series LLC may organize itself with multiple levels of ownership, each series governed and owned separately and managed by its members or managers pursuant to the operating agreement. Series LLCs allow LLCs to separate different projects undertaken by the LLC so that if one fails, the other projects (or series within the LLC) will not be affected. This strategy may not be effective in bankruptcy.

LB 1121 authorizes the creation, governance, distributions to and liability of members of one or more “protected series” within a series LLC. Each protected series has separate existence, separate management, and can acquire assets and incur liabilities separate from the company or series itself without exposing the rest of the company to liability. An LLC creates a protected series LLC by an affirmative vote of all members of an LLC and filing a protected series designation with the Secretary of State. A protected series LLC is like a series LLC, but allows the series LLC to create a separate protected series for each separate line of business conducted by the LLC.

Each protected series may acquire and hold assets that are not subject to execution for the debts of the company. However, any assets contributed to the protected series by the LLC or its members are subject to execution. The protected series can be merged or dissolved within the LLC.

For tax purposes, it is unclear if the income is calculated for the entire LLC, or whether each series is a separate entity for taxation purposes. The bill contains a severability clause.

It is estimated that this bill would have no impact on General Fund revenues.

It is estimated that there would be minimal costs to the Department to implement this bill.

The operative date for this bill is January 1, 2019.

Major Objects of Expenditure

<u>Class Code</u>	<u>Classification Title</u>	<u>18-19</u> <u>FTE</u>	<u>19-20</u> <u>FTE</u>	<u>20-21</u> <u>FTE</u>	<u>18-19</u> <u>Expenditures</u>	<u>19-20</u> <u>Expenditures</u>	<u>20-21</u> <u>Expenditures</u>
<b>Total</b>							

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**2018**

**LB<sup>(1)</sup> 1121**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup> Nebraska Secretary of State's Office

Prepared by: <sup>(3)</sup> Joyce Woofter Date Prepared: <sup>(4)</sup> 01/24/2018 Phone: <sup>(5)</sup> 402-471-2384

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2018-19</u>		<u>FY 2019-20</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS		(6,000)		(12,000)
CASH FUNDS	350,000	(3,000)		(6,000)
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<u>350,000</u>	<u>(9,000)</u>		<u>(18,000)</u>

**Explanation of Estimate:**

LB 1121 amends the Nebraska Uniform Liability Company Act to allow series limited liability companies. The Secretary of State has identified the need to reprogram the Business Services Filing System to accommodate this new type of limited liability company (LLC) and the associated filings and information that will be reported. Our Vendor estimates the cost to make these enhancements would be \$350,000. This would be a one-time expense.

Adding this entity type would reduce the number of formation filings (\$105) and replace them with information filings (\$15). We estimate there would be around 100 entities impacted by this in FY 19 and 200 additional entities in FY20. Revenue for all these filings is deposited 2/3 to the General Fund and 1/3 to Corporations Cash Fund. The estimate for lost revenue in FY19 is \$9,000 and for FY20 is \$18,000.

Beginning in FY 21, there would be additional lost revenue, because there would be one biennial report filed for the series instead individual biennial reports. If there were 300 series LLC's in existence, that would be a reduction of \$3,000. These fees are also deposited 2/3 to the General Fund and 1/3 to the Cash Fund. As the number of protected series LLC's goes up, the potential for additional reduction in revenue increases.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2018-19 EXPENDITURES</u>	<u>2019-20 EXPENDITURES</u>
	<u>18-19</u>	<u>19-20</u>		
Benefits.....				
Operating.....			350,000	
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
<b>TOTAL.....</b>			<u>350,000</u>	