## PA 11-146

## HB6565

		20
Senate	6559, 6573-6578	7
Judiciary	4534-4539, 4932-4933	8
House	4175-4179	5

20

# H – 1104

## CONNECTICUT GENERAL ASSEMBLY HOUSE

# PROCEEDINGS 2011

VOL.54 PART 13 4109 – 4473

67 May 24, 2011

On page 47, Calendar 340, substitute for House
Bill Number 6565, AN ACT CONCERNING BUSINESS ENTITY
FILINGS, favorable report on the Committee on
Appropriations.

#### SPEAKER DONOVAN:

Representative Fox.

REP. FOX (148th):

Thank you, Mr. Speaker.

I move for the acceptance of the joint committee's favorable report and passage of the bill. SPEAKER DONOVAN:

Question is on acceptance of the joint committee's favorable report and passage of the bill. Will you remark?

REP. FOX (148th):

Thank you, Mr. Speaker.

This bill comes to us through the Secretary of State's office, who are responsible for maintaining the filings of our various businesses and corporations. What this does is it will make it so that those businesses will file their necessary annual documents as well as other reports and documents, file those online. And what this will do

68 May 24, 2011

is result in a savings, an approximate savings of \$300,000 in the nest, uh, in the next biennium.

Mr. Speaker, this is a bill that is consistent with others that we have brought out that would attempt to elevate our agency so that we do take further advantage of technology as a way of streamlining certain processes, as well as being more efficient.

And I've asked -- urge for passage.

#### SPEAKER DONOVAN:

Thank you, Representative.

Would you remark further? Remark further? Representative Hetherington.

#### REP. HETHERINGTON (125th):

Thank you, Mr. Speaker. As the chairman has pointed out, this is a bill to further advance the use of technology, elimination of paper filings where possible. And to implement that, I would urge adoption. Thank you, Mr. Speaker.

#### SPEAKER DONOVAN:

Thank you, Representative.

Would you care to remark further?
Representative Alberts.

#### REP. ALBERTS (50th):

tmj/gbr
HOUSE OF REPRESENTATIVES

69 May 24, 2011

Thank you, Mr. Speaker. If I may, a couple questions to the proponent.

#### SPEAKER DONOVAN:

Please proceed, sir.

#### REP. ALBERTS (50th):

Thank you, Mr. Speaker. I have a limited liability company, probably many people in this state have some type of LLC. Are we referring to the notice that we typically get from the Secretary of State's office basically correcting any material that we have on file in preparation for the billing that we subsequently receive? Is that what we're looking at with this legislation? Through you, Mr. Speaker. SPEAKER DONOVAN:

Representative Fox.

#### REP. FOX (148th):

Through you, Mr. Speaker. I do believe that's one of the forms that would be filed online.

#### SPEAKER DONOVAN:

Representative Alberts.

#### REP. ALBERTS (50th):

Thank you, Mr. Speaker. And is there any of the cost savings which is projected here, which is going to be passed on to the consumer as part of this or is

May 24, 2011

70

this -- are we going to keep the fees as they are, both the business entity tax at \$250, and I believe, the fee that the Secretary of State's office charges is either \$10 or \$20. Are those contemplated to remain the same? Through you, Mr. Speaker.

#### SPEAKER DONOVAN:

Representative Fox.

### REP. FOX (148th):

Uh, through you, Mr. Speaker, I do believe the Representative is correct in his description of the fees. Uh, the, uh, changing of those fees would go beyond this bill. Through you, Mr. Speaker.

#### SPEAKER DONOVAN:

Representative Alberts.

#### REP. ALBERTS (50th):

Thank you, Mr. Speaker. I thank the gentleman for his answers.

#### SPEAKER DONOVAN:

Thank you, Representative.

Would you care to remark further on the bill? Would you care to remark further?

If not, staff and guests please come to the well of the House. Members, take their seats. The machine will be open.

71 May 24, 2011

#### THE CLERK:

SPEAKER DONOVAN:

The House of Representatives is voting by roll call. Members to the Chamber. The House is voting by roll call. Members to the Chamber.

Have all the members voted? Have all the members voted? Please check the roll call board to make sure your vote has been properly cast. If all the members have voted, the machine will be locked. The Clerk will please take a tally.

Clerk, please announce the tally.

#### THE CLERK:

House Bill 6565.

Total number voting	138
Necessary for passage	70
Those voting yea	138
Those voting nay	0
Those absent and not voting	13.

#### SPEAKER DONOVAN:

## The bill is passed.

Representative Willis, for what reason do you stand?

REP. WILLIS (64th):

JOINT STANDING COMMITTEE HEARINGS

JUDICIARY PART 14 4276 – 4609

2011

REP. FOX: Okay, at this time, we'll reconvene the public hearing. The first name -- the first public official on our list is the Secretary of State, Denise Merrill.

SECRETARY OF STATE DENISE MERRILL: Good morning.

REP. FOX: Good morning.

SECRETARY OF STATE DENISE MERRILL: Chairman Cole -not here. Chairman Coleman, Chairman Fox and
members of the committee, nice to be here, nice
to see you all. For the record my name is
Denise Merrill. I'm the Secretary of the State
of Connecticut.

I'm here this morning to testify in strong support of <u>House Bill 6565</u>, AN ACT CONCERNING BUSINESS ENTITIES FILINGS.

This is a concept that's been proposed in one way or another for each of the last two years and this change is long past due. I'll provide a brief overview of the bill and then I'll be happy to answer any questions.

Simply put, this bill mandates electronic filing of annual reports for all business entities in Connecticut. This includes corporations, limited liability companies, limited liability partnerships and limited partnerships. Currently companies have an option to file online, but the vast majority of the firms who are registered with the state submit paper copies by mail.

<u>8131059</u> 14136590

This process is cumbersome, inefficient and costly. Passing this bill will save taxpayers hundreds of thousands of dollars every year from printing and mailing costs. It's also a green government bill because we estimate that

10:00 A.M.

we would need about two tons less of paper each vear.

The bill also requires an email address be provided in the annual report, which we do not request now. It eliminates the requirement that the Secretary of State send out paper annual report forms and allows for email notifications that an annual report is due. This alone would save hundreds of thousands of dollars.

There are also several waiver provisions to mandatory online filing that would create exemptions for customers who do not have the capability to file electronically. That is, no access to a computer or an authorized form of payment -- currently we accept Visa and Mastercard for any other good cause. really is a pretty broad exemption. That has been a concern in the past. There might be businesses so small that they don't have access to a computer. Frankly, every year that goes by, this is less convincing.

This bill would allow limited liability partnerships, limited partnerships and statutory trusts to file photostatic and facsimile copies of documents. This will also conform the definitions of documents, electronic transmission and sign or signature for limited liability companies, limited partnerships, limited liability partnerships and statutory trusts to the Connecticut Business Corporations Act.

If this bill is enacted it will take effect on. January 1st, 2012, and we feel that's plenty of time to make sure our office is ready. And we'll have the personnel and infrastructure in place to handle this transition smoothly.

Overall, it's a much more efficient system for our customer. We have more than 300,000 registered business entities in Connecticut. Currently if anything is wrong or incomplete with the paper filing, it has to be reviewed by a staff member, rejected and then sent back by regular mail. This is a waste of time and money.

Under the new online system you'll file your documents and if something is missing in any of the data fields, it will tell you instantly where information is incorrect or insufficient and will not allow you to file the annual report. I would liken this to -- if you've ever ordered an airline ticket online and you don't put in some number correctly, it won't give you your airline tickets, a very similar concept. That way someone filing the report can correct the filing right away and submit simultaneously.

Before I conclude, I just wanted to draw your attention to the fact that there is a similar bill in GAE, <u>Senate Bill 1059</u>. There are several reasons I support this bill as opposed to the Senate bill and I actually testified in front of GAE and suggested that they adopt this committee's language instead.

I can tell you what the differences are.
There's a different effective date and they think -- we think it's too soon. There's a filing window -- the Senate bill calls for a filing window wherein all entities would file annual reports within a three month span. The Judiciary version, which is the version in this committee, eliminates the three in one month filing window for annual reports. It's no longer necessary due to the elimination of the late filing penalty provisions that was removed

at the request of some legislators at the previous session.

And then <u>Senate Bill 1059</u> does not include a section that provides for assignment or resignation of statutory agents, while the Judiciary's bill does. This provision would conform the LLP statute to other entity statutes and clear a prior drafting oversight.

So in short, I strongly urge that we take action this year to pass this bill. It means efficiency and savings for tax payers and a little bit of green government, which we could use.

Thank you very much. Oh, I also just wanted to throw in that I also -- our office also supports <u>House Bill 6590</u>, also on the agenda today, which is AN ACT CONCERNING THE CONNECTICUT BUSINESS CORPORATION ACT. And there will be, I believe, someone shortly testifying to the details of that conformance of our statute to the national standards on electronic signatures and a few other things.

And that concludes my testimony. I'd be happy to answer questions. Thank you.

REP. FOX: Thank you, Madam Secretary. Are there any questions? Senator Kissel.

SENATOR KISSEL: First of all, Madam Secretary, congratulations on your election, -- well deserved.

All right. I'm trying to figure this out. There's a bill in GAE, there's a bill here. Which one is your favorite or you want to take something from one and put it in the other or just run with the one --

SECRETARY OF STATE DENISE MERRILL: This one.

SENATOR KISSEL: Gotcha.

REP. FOX: Representative Holder-Winfield.

REP. HOLDER-WINFIELD: It's just a small question and as you said, I don't even know if it really matters, but is there anything that the state's done to make you prove you don't have the capability to get involved?

SECRETARY OF STATE DENISE MERRILL: No. I think you just have to say that you don't have the capability and then you'd be able to file on paper. Frankly, as I said, every year that goes by, this becomes less a concern. But that's responding to concerns from last year that maybe there would be companies that are just too small to even have that.

REP. HOLDER-WINFIELD: Right, I agree with you. I was just wondering if there was.

SECRETARY OF STATE DENISE MERRILL: Sure.

REP. FOX: Representative Shaban.

REP. SHABAN: Thank you, Mr. Chair. Welcome. A quick question. I think the greatest piece out of the other statute or bill references that a lot of the LLCs and whatnot use their attorney's email addresses. Attorneys retire, switch firms, emails addresses change. Has there been some thought about the mechanics of sending out -- or a problem, potentially, of sending out a notice from the state into the ethos and it says, "We're good" and it never gets -- hits its intended target?

SECRETARY OF STATE DENISE MERRILL: I might let my director, who is here, of the division answer that. But I'll take a stab at it first. I know we are very concerned about that exact issue. It's a concern now. We apparently have bins of paper of returned mail that comes back. In fact, one of the office employees snapped a picture of the bins, four huge bins, which is part of the waste of all this.

But yes, there will be -- they're building a new capability in our system in general and that capability will be there to make sure that it's received. So we would request a notice back. If you didn't get a notice back then you'd have to have further action to chase down where -- what's happened with that firm.

We have a lot of problems with firms not dissolving in our office, huge numbers of -- and that's why there's such a huge return rate, because when businesses dissolve, they don't always let us know and they keep getting tax bills. It's a tremendous problem and we're looking for an answer to that, too. If you want something more specific I can have -

REP. SHABAN: (Inaudible).

SECRETARY OF STATE DENISE MERRILL: Yes, it definitely is, yes.

REP. FOX: Thank you. Are there any other questions? Thank you very much. It's good to see you.

SECRETARY OF STATE DENISE MERRILL: Thank you. It's good to see you, too.

REP. FOX: Next is State Representative Jack Hennessey. Is Jack here? What we'll do is --Representative Hennessey is likely in another JOINT STANDING COMMITTEE HEARINGS

JUDICIARY PART 15 4610 – 4935

2011



DENISE MERRILL
SECRETARY OF THE STATE
CONNECTICUT

Judiciary Committee
Public Hearing Testimony
March 25, 2011

Good Morning Chairman Coleman, Chairman Fox, and members of the committee. For the Record my name is Denise Merrill and I am Secretary of the State of Connecticut. I am here this morning to testify in strong support of <u>HB 6565</u> "An Act Concerning Business Entity Filings"

This is a concept that has been proposed in one way or another for each of the last two years, and this change is long past due. I would like to provide a brief overview of the bill and then I will be happy to answer any questions.

Simply put, this bill would mandate the electronic filing of annual reports for all business entities in Connecticut. This includes corporations, limited liability companies, limited liability partnerships and limited partnerships.

Currently, companies have the option to file online but the vast majority of the firms who are registered with the state submit paper copies by mail. This process is cumbersome, inefficient, and costly. Passing this bill would save taxpayers hundreds of thousands of dollars every year from printing and mailing costs. It would also be a green government bill, because we estimate we would need about two tons less paper every year.

The bill also requires an email address be provided in the annual report. It eliminates the requirement that the Secretary of the State send out paper annual report forms, and allows for email notification that an annual report is due.

There are also several waiver provisions to mandatory online filing that would create exemptions for customers that do not have:

- (1) capability to file electronically (no access to a computer) or
- (2) an authorized form of payment (Visa/MasterCard) or
- (3) for any other good cause (catch-all)

This bill would allow limited liability partnerships, limited partnerships and statutory trusts to file photostatic and facsimile copies of documents. This will also conform the definitions of "documents", "electronic transmission" and "sign or signature" for limited liability companies,

limited partnerships, limited liability partnerships and statutory trusts to the Connecticut Business Corporations Act.

If this bill is enacted, it will take effect on January 1, 2012 and we feel that is plenty of time to make sure our office is ready and will have the personnel and infrastructure in place to handle this transition smoothly. Overall, this will be a much more efficient system for our customers, who are more than 300,000 registered business entities in Connecticut.

Currently, if anything is wrong or incomplete with your paper filing, it needs to be reviewed by a staff member, rejected, and then sent back to you by regular mail. This is a waste of time and money.

Under the new online system, you will file your documents and if something is missing in any of the data fields, it will tell you instantly where information is incorrect or insufficient, and it will not permit you to file the annual report. That way, someone filing the report can correct the filing right away and submit instantaneously.

Before I conclude, I just wanted to draw your attention to the fact that a similar bill has been raised and heard in the GAE committee, SB 1059. There are several reasons why I support this bill as opposed to SB 1059, and I actually testified in front of GAE and suggested that they adopt this committee's language instead. Let me review those briefly and then I will be happy to answer questions.

- EFFECTIVE: DATES: SB 1059 employs effective dates of October 1, 2011, while HB 6565 the bill before you employs effective dates of January 1, 2012. With the passage of a year since the last attempt to pass this legislation (and a changed budgetary outlook), it would be difficult for the agency to be prepared to enact all of the specified changes by the October 1, 2011 effective date. We are comfortable with a January 1, 2012 effective date, as proposed in the Judiciary bill.
- o FILING WINDOW: SB 1059 calls for a filing window wherein all entities would file their annual reports within a three-month span. The Judiciary version of the bill eliminates the three-month filing window for annual reports. The three-month window is no longer necessary due to the elimination of a late filing penalty provision that was removed at the request of some legislators in a previous legislative session. To keep the window filing period in place absent a late filing fee could create workflow problems by concentrating the receipt of annual reports into a three-month period rather than throughout the year as is now the case, and with no revenue benefit. We favor this bill that removes the filing window period and permits filing to occur throughout the year.
- o STATUTORY AGENTS FOR LLPs: SB 1059 does not include a section that provides for the assignment/resignation of statutory agents for limited liability partnerships, while the Judiciary bill HB 6565 does. This provision would conform the LLP statute to the other entity statutes and thus cure a prior drafting oversight.

I would strongly urge passage of HB 6565, it means efficiency, savings for taxpayers, and a little bit of green government. Thank you very much and I will be happy to answer any questions you may have.

## CONNECTICUT GENERAL ASSEMBLY SENATE

# PROCEEDINGS 2011

VOL. 54 PART 21 6546-6914 mhr/cd/gbr
SENATE

June 7, 2011

506

Thank you, Madam President.

Continuing on calendar page 20, Calendar 557,

House Bill Number 6318.

Move to place the item on the Consent Calendar.

THE CHAIR:

So ordered.

SENATOR LOONEY:

Thank you, Madam President.

Calendar 558, House Bill Number 6565.

Move to place the item on the Consent Calendar.

THE CHAIR:

So ordered.

SENATOR LOONEY:

Thank you, Madam President.

Moving now to calendar page 21. Madam

President, there is a single item: Calendar 559,

House Bill Number 6636.

Madam President, move to place the item on the

Consent Calendar.

THE CHAIR:

So ordered.

SENATOR LOONEY:

Thank you, Madam President.

520

Mr. Clerk.

#### THE CLERK:

Immediate roll call's been ordered in the

Senate on the Consent Calendar. Will all Senators

please return to the Chamber. Immediate roll call's

been ordered in the Senate on the Consent Calendar.

Will all Senators please return to the Chamber.

THE CLERK:

Madam President, the items placed...

#### THE CHAIR:

I would ask the Chamber to be quiet please so we can hear the call of the Calendar for the Consent Calendar.

Thank you.

Please proceed, Mr. Clerk

#### THE CLERK:

Madam President, the items placed on the first Consent Calendar begin on calendar page 5, Calendar 336, House Bill 5697.

Calendar page 7, Calendar 421, <u>Substitute for</u>
House Bill 6126.

Calendar page 8, Calendar 449, <u>Senate Bill</u> 1149.

521

Calendar page 10, Calendar 470, <u>Substitute for</u>

House Bill 5340. Calendar 474, <u>Substitute for House</u>

Bill 6274. Calendar 476, <u>House Bill 6635</u>.

Calendar page 12, Calendar 499, Substitute for House Bill 6638. Calendar 500, House Bill 6614.

Calendar 508, House Bill 6222.

Calendar page 13, Calendar 511, House Bill 6356. Calendar 512, Substitute for House Bill 6422. Calendar 514, House Bill 6590. Calendar 515, House Bill 6221. Calendar 516, House Bill 6455.

Calendar page 14, Calendar 517, House Bill 6350. Calendar 519, House Bill 5437. Calendar 522, House Bill 6303.

Calendar page 15, Calendar 523, Substitute for House Bill 6499. Calendar 524, House Bill 6490. Calendar 525, House Bill 5780. Calendar 526, House Bill 6513. Calendar 527, Substitute for House Bill 6532.

Calendar page 16, Calendar 528, House Bill
6561. Calendar 529, Substitute for House Bill 6312.
Calendar 530, Substitute for House Bill 5032.
Calendar 532, House Bill 6338.

Calendar page 17, Calendar 533, Substitute for House Bill 6325. Calendar 534, House Bill 6352.

mhr/cd/gbr SENATE

June 7, 2011

522

Calendar 536, House Bill 5300. Calendar 537, House Bill 5482.

Calendar page 18, Calendar 543, House Bill 6508.

Calendar 544, House Bill 6412. Calendar 546,

Substitute for House Bill 6538. Calendar 547,

Substitute for House Bill 6440. Calendar 548,

Substitute for House Bill 6471.

Calendar page 19, Calendar 550, Substitute for House Bill 5802. Calendar 551, House Bill 6433.

Calendar 552, House Bill 6413. Calendar 553,

Substitute for House Bill 6227.

Calendar page 20, Calendar 554, Substitute for House Bill 5415. Calendar 557, Substitute for House Bill 6318. Calendar 558, Substitute for House Bill 6565.

Calendar page 21, Calendar 559, Substitute for House Bill 6636.

Calendar page 22, Calendar 563, Substitute for House Bill 6600. Calendar 564, Substitute for House Bill 6598. Calendar 566, House Bill 5585.

Calendar page 23, Calendar 568, Substitute for House Bill 6103. Calendar 570, Substitute for House Bill 6336. Calendar 573, Substitute for House Bill 6434.

523

Calendar page 24, Calendar 577, Substitute for House Bill 5795.

Calendar page 25, Calendar 581, House Bill 6354.

Calendar page 26, Calendar 596, Substitute for House Bill 6282. Calendar 598, Substitute for House Bill 6629.

Calendar page 27, Calendar 600, House Bill 6314. Calendar 601, Substitute for House Bill 6529.

Calendar 602, Substitute for House Bill 6438.

Calendar 604, Substitute for House Bill 6639.

Calendar page 28, Calendar 605, Substitute for House Bill 6526. Calendar 608, House Bill 6284.

Calendar page 30, Calendar number 615,

Substitute for House Bill 6485. Calendar 616,

Substitute for House Bill 6498.

Calendar page 31, Calendar 619, Substitute for House Bill 6634. Calendar 627, Substitute for House Bill 6596.

Calendar page 32, Calendar 629, House Bill
5634. Calendar 630, Substitute for House Bill 6631.
Calendar 631, Substitute for House Bill 6357.
Calendar 632, House Bill 6642.

Calendar page 33, Calendar 634, Substitute for
House Bill 5431. Calendar 636, Substitute for
House, correction, House Bill 6100.

Page 34, Calendar 638, Substitute for House Bill 6525.

Calendar page 48, Calendar 399, <u>Substitute for Senate Bill 1043</u>.

Calendar page 49, Calendar 409, <u>Substitute for</u>
House Bill 6233. Calendar 412, <u>House Bill 5178</u>.

Calendar 422, Substitute for House Bill 6448.

Calendar page 52, Calendar 521, Substitute for House Bill 6113.

Madam President, that completes the item placed on the first Consent Calendar.

#### THE CHAIR:

Thank you, sir.

We call for another roll call vote. And the machine will be open for Consent Calendar number 1. THE CLERK:

The Senate is now voting by roll on the Consent Calendar. Will all Senators please return to the Chamber. The Senate is now voting by roll on the Consent Calendar, will all Senators please return to the Chamber.

525

Senator Cassano, would you vote, please, sir.

Thank you.

Well, all members have voted. All members have voted. The machine will be closed, and Mr. Clerk, will you call the tally?

### THE CLERK:

Motion is on option Consent Calendar Number 1.

Total Number Voting 36

Those voting Yea 36

Those voting Nay 0

Those absent and not voting 0

#### THE CHAIR:

## Consent Calendar Number 1 has passed.

Senator Looney.

#### SENATOR LOONEY:

Thank you, Madam President.

We might stand at ease for just a moment as we prepare the next item...

#### THE CHAIR:

The Senate will stand at ease.

(Chamber at ease.)