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Secretary of State



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STATE OF KANSAS

Testimony: HB2391 (Proponent)

House Commerce, Labor & Economic Development Committee
Friday, February 19, 2021

Chairman Tarwater and members of the Committee:

HB2391 clarifies, updates and eliminates several statutes concerning the responsibilities of the business division in the Office of Secretary of State. In short, the bill clarifies definition of street address, clarifies professional association abbreviations, repeals three statutes from 1939 regarding blanket music licenses, allows for the acceptance of electronic signatures, addresses UCC filings with a social security number and would allow for bi-annual business filings starting January 1, 2023.

The bill also repeals three laws dating back to 1939 regarding blanket music licenses. Blanket music licenses, most commonly, allow businesses to pay a set fee to a national organization (BMI and ASCAP are the primary ones) and then play the background music you hear while dining or strolling through a store. Kansas is the only state that still requires these national organizations to annually file copies of every license issued to a state business. Neither the national organizations nor the businesses who pay for the licenses could articulate the reason for still filing these licenses. The paper licenses filed with our office are about 12 inches high and no one at the Secretary of State's office could recall anyone asking to see any of the filed licenses in over a decade.

The bill would permit business entities to file a business entity information report with the Secretary of State on a biennial basis beginning January 1, 2023. This provision was introduced last session as SB251 by Senator Olson who graciously worked with our office to ensure the legislation remained small business friendly but also revenue neutral as we are a fee funded agency. Currently, business entities are required to file their annual report on a yearly basis. Under the bill, business incorporated in an even number year will file their biennial report in an even numbered year, and those incorporated in an odd numbered year will file their biennial report in an odd numbered year.

The bill also updates the reinstatement process to make it easier for Kansas businesses and nonprofits to reinstate. Under current law, businesses must file all past due annual reports and pay fees for each of those reports and nonprofits must pay all fees and file the three most recent annual reports. HB2391 sets a maximum requirement of up to five biennial reports and the requisite fees to reinstate a business, and the most recent report and fees for a nonprofit, in Kansas. Based on figures from 2015 to 2019, this provision would capture approximately 98 percent of business reinstatements in Kansas.

Approximately 3,000 to 4,000 reinstatements are filed by paper each year. The updates contained in HB2391 for business and nonprofit reinstatements will allow our office to move reinstatements to our new online filing system because of the simplified process for calculating reinstatement fees and make it easier for Kansas businesses to file their reports.

As previously mentioned, HB2391 would go into effect January 1, 2023. The reasoning for this delayed effective date is to allow ample time to communicate the changes to Kansas businesses and nonprofits. The date will also ensure our office has completed migration off the current, antiquated AS400 system and onto a new and more secure filing system.

Finally, the bill also amends state law to provide that information (such as a social security number) improperly placed on a Uniform Commercial Code (UCC) form by the person filing the form, including placing it in a description, or including it as an attachment, is exempt from the requirement to remove the information. This occurs when a filer intentionally submits a UCC form containing this information. The form does not require this information, there is no place for it to be provided on the form, and the instructions clearly warn filers not to include this information.

Again, the intent of our office in introducing this legislation was to update, clarify several statutes related to our business services unit. The bill has the added benefit of reducing the burden on Kansas businesses and nonprofit organizations while providing for better efficiencies in the Secretary of State's office. We respectfully request your support of HB2391.

Respectfully submitted,

Clay Barker
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