

TESTIMONY OF THE KANSAS SECRETARY OF STATE ON S. 569
SENATE HOMELAND SECURITY and GOVERNMENTAL AFFAIRS COMMITTEE
“Examining State Business Incorporation Practices: A Discussion of the Incorporation Transparency
and Law Enforcement Assistance Act.”
JUNE 18, 2009

Senators:

The Kansas secretary of state appreciates the opportunity to submit written testimony on S. 569, the Incorporation Transparency and Law Enforcement Assistance Act. We believe the passage and implementation of S. 569 will have a negative impact on the office of the Kansas secretary of state. Our staff collected data to predict the impact of S. 569 on our state and we have estimated that over 120,000 corporations and LLC's would be impacted during the first year. If the categories were to expand such that partnerships, trusts and other legal entities were included, the number of entities that would be impacted would climb to 150,000. Several factors were considered in our study:

- The cost for reprogramming our online entity formation filing system to accommodate the requirements of the beneficial ownership information.
- The cost of redesigning forms for entity formation filed on a paper form.
- The cost for reprogramming our filing system to accommodate attachments for certification by formation agents of any non-US citizen. Also, the cost of expanding the paper system to accommodate all beneficial ownership information.
- The need to increase staff to accommodate the changes required by S.569
- The Kansas legislature has cut budgets and swept fee funds from all state agencies, including the secretary of state. The cost to implement S. 569 in Kansas is estimated to be \$600,000.

Senate bill 569 is problematic because it would limit or eliminate a customers' ability to make electronic filings, it will reduce access to a filing system that works well for thousands of filers, and it would place an undue burden on the filing agency. The philosophy of the filing agency has always been to serve the customer and accept business filings. This proposal will not accomplish the goal of protecting the United States from U.S. corporations being misused to commit terrorism. It will however, impose responsibilities that are above and beyond the filing agencies abilities, force the filing agencies to raise fees to offset cost of implementation while it penalizes our customers, and impose bureaucracy into a system that was never intended to be run by bureaucrats.

The fiscal impact of S. 569 is even more problematic. Currently, our office is coping with reduced revenues and budget cuts while we maintain a level of service that our customers have come to expect. In the fiscal climate that we are working in, there simply are no resources to implement the large scale changes that S. 569 would require.

I appreciate the opportunity to submit this written testimony in opposition to S. 569.

Respectfully submitted,

A handwritten signature in black ink. The first part of the signature is the name "Ron" written in a cursive style. The second part is a stylized, large, and somewhat abstract signature that appears to be "Thornburgh".

RON THORNBURGH
KANSAS SECRETARY OF STATE