

PA 14-154

HB5489

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**CONNECTICUT
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**PROCEEDINGS
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DEPUTY SPEAKER BERGER:

Bill as amended passes

Will the Clerk please call Calendar Number 401.

THE CLERK:

On page 21, Calendar Number 401, favorable report of the joint standing committee on Finance, Revenue, and Bonding. Substitute House Bill Number 5489, AN ACT CONCERNING THE INTEGRITY OF THE BUSINESS REGISTRY.

DEPUTY SPEAKER BERGER:

Representative Ritter, sir, of the 1st District.

REP. RITTER (1st):

Thank you, Mr. Speaker. I move acceptance of the joint committee's favorable report and passage of the bill.

DEPUTY SPEAKER BERGER:

Motion before the before the Chamber is acceptance of the joint committee's favorable report and passage of the bill

Will you comment further, sir.

REP. RITTER (1st):

Yes, thank you, Mr. Speaker. I believe the Clerk is in possession of an amendment, LCO Number 4829, and I ask that when the amendment is called I be granted leave of

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the Chamber to summarize.

DEPUTY SPEAKER BERGER:

Thank you, sir

Will the Clerk please call LCO Number 4829 designated
House "A,"

THE CLERK:

LCO Number 4829 designated House "A" and offered by
Representative Rebimbas and Representative Fox.

DEPUTY SPEAKER BERGER:

Representative seeks leave of the Chamber to
summarize the amendment. Is there objection to
summarization? Seeing none, sir, please proceed with your
summarization.

REP. RITTER (1st):

Yes, Mr. Speaker, the distinguished chairman to my
left, Representative Fox and the ranking member,
Representative Rebimbas worked with this amendment. There
was an issue that there was a fiscal note attached to the
original underlying bill that would have been north of
about \$400,000. This amendment simply pushes out the
effective date of the underlying bill to July , 2015, Mr.
Speaker.

DEPUTY SPEAKER BERGER:

Thank you, sir

Will you comment further on House "A"?

Representative Rebimbas of the 70th, madam.

REP. REBIMBAS (70th):

Thank you, Mr. Speaker. Mr. Speaker, I rise in support of the amendment that's before us. As Representative Ritter highlighted, it does push the effective date out, which is to July 1, 2015. This is a very important provision for this underlying bill which, once we talk about the underlying bill, we're going to get into the details because it does eliminate the fee for dissolving a corporation.

And this is a proposal that was brought to us by the Secretary of State, but certainly a proposal that many of us in this Chamber have been requesting for years. It's a very good business bill and this amendment will make it better. I also just want to highlight what the amendment, in addition does. Is there's a technical change just on the wording.

I believe it was discovered by LCO, but in the drafting there was a change in the wording of limited liability partnership. And we inserted reinstatement in lieu of that, and that was in line 865, and again that was purely a tech change in that regard.

So I do rise in support of the amendment and look

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forward to then speaking on the bill, the underlying bill
once it's amended. Thank you, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Thank you, madam

Will you remark further on House "A"? Remark further
on House "A"? If not I'll try your minds. All those in
favor of House "A" signify by saying aye.

REPRESENTATIVES:

Aye.

DEPUTY SPEAKER BERGER:

Opposed? The ayes have it. The amendment passes.

Will you comment further on the bill as amended?

Will you comment further on the bill as amended?

Representative Ritter, sir.

REP. RITTER (1st):

Yes, Mr. Speaker, and I want to thank the good
ranking member for enhancing the understanding of the
underlying bill. As we alluded to, we do want to thank
the Secretary of State's Office for bringing this bill
forward, and passing it unanimously out of both Judiciary
and Finance Committees.

And essentially what it does it is reinstates what's
known as administrative dissolution, which existed prior
to 1994 here in the State of Connecticut. There are over

a hundred thousand, almost close to 150,000 businesses on the registry list that are inactive or no longer doing business here in the State of Connecticut. They are known as zombie corporations by the Secretary of State's Office.

And this bill will allow them, after providing notice to corporations, the Secretary of State's Office can now administratively dissolve these entities to clear up the list so that it is more useful, more helpful, and more friendly to the -- to those who want to know who does business in the State of Connecticut.

The other thing it does is it gets rid of the fee to dissolve a business, and I think that was also alluded to. That's where the fiscal note came in. The hope is that by getting rid of this fee which range from \$20 to \$120, businesses will be more likely to follow dissolution papers to the Secretary of State giving us a much more -- much more accurate registry going forward.

So again I'm glad to take questions, but again, I think it's a very pro-business bill, and again I want to thank the Secretary of State's Office for bringing it to the attention of the General Assembly, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Thank you, sir.

Representative Rebinbas of the 70th. Madam, you have

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the floor on the bill as amended.

REP. REBIMBAS (70th):

Thank you, Mr. Speaker, and I concur with all the representations made by Representative Ritter regarding the bill as amended that's before us. It is a very good business-friendly bill. Again it does dissolve all of the dissolution fees when a corporation goes to dissolve itself. They have to file the fee.

In reality, what we've been facing is the Secretary of State is overburdened by all of the notices and letters that need to be sent out to these corporations who are required to file annual reports.

Well, on many occasions, many of these corporations have, in effect, closed their doors, some of which, unfortunately, whether through bankruptcy or other means do not have the financial means to then dissolve the corporation.

But what that then does is the Secretary of State is still under the obligation of law to still continuously send out these notices, which administratively is a lot of work for the office and that then translates into, again, money. And also there's a lot of expenses associated with having to send out these notices when these corporations have not responded for years.

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So this is a new mechanism that would allow the Secretary of State's Office to dissolve these corporations administratively, but the bill as amended has specific provisions and standards of how that's going to take place.

So again, a business will be informed and notified of this action in a variety of different ways. And just to highlight those ways, through you, Mr. Speaker, a few questions to the proponent of the bill.

DEPUTY SPEAKER BERGER:

Representative Ritter, please propose yourself.

Madam, please proceed.

REP. REBIMBAS (70th):

Thank you, Mr. Speaker. So through you, Mr. Speaker, I believe by law these corporations, and there's a variety of different corporations that are included in this legislation, are required to file annual reports.

If they fail to file annual reports, if the Representative wouldn't in mind just highlighting what the time period is and the default of filing those annual reports from the time it then triggers the Secretary of State's Office to take an action regarding notifying them of the potential of dissolving their corporation. Through you, Mr. Speaker.

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DEPUTY SPEAKER BERGER:

Representative Ritter.

REP. RITTER (1st):

Mr. Speaker, there's three ways or sort of three different categories, and that gets to answer the good ranking member's question. One is if you are a -- a regular -- if you are a foreign stock corporation you're going to -- if you do not file within the year that you're supposed to file, you will get a letter. And then within three months if you have not responded to that, the Secretary of State's Office can begin the process of administratively dissolving your -- your entity here in the Secretary of State.

A regular Connecticut corporation, that process would play over a two year time frame with the same notice, provisions, and protections. If you're a nonprofit, you'd have two years to file that. Then you would get that letter. So I hope that explains kind of the three different -- as my understanding -- the three different areas in which this may fall, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Representative Rebimbas.

REP. RITTER (1st):

Thank you, Mr. Speaker, and through you, Mr. Speaker,

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just a to further clarify, once the Secretary of State's Office provides a corporation with that notice that potentially the company could be dissolved, how much time does the company have then to respond, and do they have the ability, then, to file the annual report, the document that was required that led to this provision? Through you, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Representative Ritter.

REP. RITTER (1st):

Mr. Speaker, it is 60 days. And if the -- if the company does wish to then -- let me back up. If you file within the time frame of those days that are laid out in state statute, you will continue to be registered here in the State of Connecticut to do business.

Let's say you miss it, and get administratively dissolved. One thing the bill does, it also make it is easier to reapply or to get back on the business registry as a Connecticut corporation or a business doing business here in the State of Connecticut.

It used to be you have to go to the General Assembly for that type of permission. This gets rid of that process to make it easier in case you do miss that after the warning, Mr. Speaker.

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DEPUTY SPEAKER BERGER:

Representative Rebimbas.

REP. REBIMBAS (70th):

Thank you, Mr. Speaker, and I'd like to thank the Representative for his response. And I guess just to clarify on that response, I believe in lines 41 through 42, it does provide a corporation with 90 days, three months, at which time they could respond after receiving the notification just -- so just to further clarify, I know -- I believe the Representative had indicated 60 days just to clarify, is that 60 days or 90 day? Through you, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Representative Ritter.

REP. RITTER (1st):

Thank you, Mr. Speaker. It is 90 days in that line. I should have clarified. I think it is 60 for foreign corporations and 90 for the other ones that we had talked to.

DEPUTY SPEAKER BERGER:

Representative Rebimbas.

REP. REBIMBAS (70th):

Thank you, Mr. Speaker, and as earlier indicated this does encompass a variety of different corporations, and

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there are different timelines for the different corporations appropriately in the legislation that's before us.

Once the notice goes out to the Secretary of State's Office indicating that the company could face administrative dissolution, if the company still does not respond within the time requirement, then I believe the Secretary of State will then take action of filing a certificate of administrative dissolution.

If the Representative could just describe what happens once the certification is issued. Through you, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Representative Ritter.

REP. RITTER (1st):

Yes, Mr. Speaker, it'll be posted on the Secretary of State's Web site, and again that business would be administratively dissolved.

DEPUTY SPEAKER BERGER:

Representative Rebimbas.

REP. REBIMBAS (70th):

Thank you, Mr. Speaker. Now I believe that that gets posted onto the Web site for a period of time as well. Through you, Mr. Speaker, once that is done is the

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Secretary of State then also obligated to send that copy of the certificate of dissolution to the corporation?

Through you, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Representative Ritter.

REP. RITTER (1st):

Mr. Speaker, that is correct. There's two steps in that process. Yeah, that's correct.

DEPUTY SPEAKER BERGER:

Representative Rebimbas.

REP. REBIMBAS (70th):

Thank you, Mr. Speaker. So again I just wanted to highlight that not only will the Secretary of State's Office provide notification to those businesses that they failed to file their annual report, and in fact, that they may be administratively dissolved, once that action takes place, again the Secretary of State is going to send a copy of that certificate to the corporation so the corporation truly will have multiple notifications from the Secretary of State's Office, because we want to make sure that these corporations certainly are informed of what's taking place.

Again, all corporations know their legal obligation of filing annual reports. So if they are defaulting for

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one reason or another, again, if they closed up their business on their own, whatever the case may be, they certainly are afforded their rights as to recourses in this regard.

Through you, Mr. Speaker, is there any provisions in these bills regarding reinstatement of a corporation?

Through you.

DEPUTY SPEAKER BERGER:

Representative Ritter.

REP: RITTER (1st):

Yes, Mr. Speaker, through you, and it's my understanding that we made reinstatement far easier. As I alluded to earlier as explained by the Secretary of State's Office, previously you had to go through the General Assembly to do that.

Now it'll be much easier, it'll be run through the Secretary of State's Office. So if you missed it for some reason, you went away for three years, you were administratively dissolved, you can much more easily come back, and do business here in the State of Connecticut.

DEPUTY SPEAKER BERGER:

Representative Rebimbas.

REP. REBIMBAS (70th):

Thank you, Mr. Speaker. Mr. Speaker, I want to take

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the opportunity once again to thank the Representative for bring the bill forward and answering all the questions, and I also again want to highlight and thank the Secretary of State's Office for bringing this bill to the Judiciary Committee, and having a public hearing on it.

And again there was a lot of support. There was no testimony in opposition to this. It's certainly a proposal that many of us in this Chamber have made in the past years in this regard.

Because, in fact, it is a good, friendly business bill, and I would actually submit that the amount of work that the Secretary of State's Office time, money, postage, letters, notifications of these corporations on annual basis when they default in their filings because they're required to do so, quite frankly, is a lot of administrative waste of time and expenses.

And what this bill would allow us then to do is put a procedure in place, a responsible one with notifications to the corporation of an administrative dissolution.

So again, this will hopefully, down the line, save a lot of money for the Secretary of State, a lot of money for the State of Connecticut, but also some of these corporations that quite frankly, they have just opted not to dissolve the corporation because they didn't have the

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fees to dissolve the corporation in that regard. But again there will be a cost savings, ultimately at the end.

And just to give everyone an idea, a lot of these corporations, again this bill incorporates a variety of different businesses. And some of these filing dissolution fees can range anywhere from \$20 as high as \$120.

And we know in today's financial economic times, it's a little -- \$125 even for a corporation that again is struggling, it goes a long way. So I do rise in support of the bill as amended, and I ask that everyone support it as well. Thank you, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Thank you, madam. On the bill as amended, Representative O'Neill of the 69th, sir.

REP. O'NEILL (69th):

Yes, thank you, Mr. Speaker, if I may, a few questions to the proponent of the amendment and --

DEPUTY SPEAKER BERGER:

Please proceed sir.

REP. O'NEILL (69th):

-- and the bill. There's been a couple of reference -- there have been a couple of references to reinstatement, and it being made easier. I'm probably one

of the relatively few members of the Chamber who was here prior to 1993 when we routinely would pass bills that would have hundreds of sections to reinstate corporations.

In many cases, these were not-for-profit corporations that represented charitable public spirited type organizations, sometimes including volunteer ambulance corps, Fire Departments, and that sort of thing that had not filed the paperwork because one of the ways these things happen is that you have a secretary of an organization such as this passes the paperwork on to the new secretary.

The Secretary of State is never notified of the new secretary's address, sends the notice to file the report that's required to the old address. It never gets to anybody that would act upon it because the person who left the secretary's office, moved out of town, moved out of state.

The new person doesn't get the notice, and so the corporation ended up getting dissolved. And this could have significant consequences. Because if you're a dissolved corporation, while there are some legal mechanisms that will protect you, if the corporation were dissolved, and let's say you were acting as a volunteer ambulance organization, the corporation no longer exists.

And so you're dealing with association law. And the individuals who did things as a volunteer ambulance member or a volunteer Fire Department member or some other similar thing could conceivably end up being held personally liable because the corporation no longer exists for two, three, four years, because no one is paying that much attention to the mechanics of keeping track of the corporate entity's status.

So I'd like to explore, if I may, the reinstatement process, because that was how -- that was what prompted the legislator, who initiated the system that we have now in 1993, to create the one we have now.

Because of the burden on the General Assembly of doing these elaborate bills to reinstate companies that had been forfeited under the old system which we're sort of returning to, but not quite.

So with respect to reinstatement, what exactly is the procedure and what are the time frames for administrative reinstatement? Through you, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Representative Ritter.

REP. RITTER (1st):

Yes, through you, Mr. Speaker, I would point to beginning at line 857 in Section 27. It's at any time

after revocation of the -- of the -- from the -- the administrative dissolution or if your license has been revoked here in the State of Connecticut, you can reapply to the Secretary of State's Office. There's a few things that they will require. Payment of all penalties incurred.

A reinstatement fee as provided elsewhere in the general statutes. An annual report for the current year, and employment of a statutory agent which Representative O'Neill did allude to. Sometimes that person can change, and that's why these businesses get dissolved in the first place.

And then upon the filing of this certificate, upon meeting the requirements set forth in that section, the Secretary of State can then make sure that they are now, again, registered to do business in the State of Connecticut. Mr. Speaker.

DEPUTY SPEAKER BERGER:

Representative O'Neill.

REP. O'NEILL (69th):

Okay, so because my recollection is that under the old system there were a couple of years, maybe three years of lapsed reports and failures to file, it could be corrected administratively, but then after that period of

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time, the corporation was not correctable administratively, and that's why people had to come to the General Assembly.

So if perhaps the gentleman could repeat the line where it says any time or that there is no time limit on reinstatement. Through you, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Representative Ritter.

REP. RITTER (1st):

Yes, Mr. Speaker, I'm looking at line 857, which says that any time after revocation that you can make this procedure. But I think because now we're sort of changing the process to have administrative dissolution, there are going to still be some interceding years before this can all occur.

As I think in my conversation with the good ranking member of the Judiciary Committee, we talked about it could be one year if it was a foreign corporation. It could be two years, it could be three years, depending on the type of business entity we're discussing. But again, I look at that line at 857 as saying at any time after the revocation, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Representative O'Neill.

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REP. O'NEILL (69th):

Thank you, Mr. Speaker. And when that revocation occurs, and it's not in the statute, or rather the request for reinstatement occurs, if you pay the fees and file the papers, you get reinstated. Is there any discretion, I guess that's my question -- is there any discretion on the part of the Secretary of State to refuse to reinstate a corporation?

Is there any method or cause for -- by which a corporation might not be reinstated as long as they file the necessary paperwork and pay their necessary fees that are called for in the bill before us? Through you, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Representative Ritter.

REP. RITTER (1st):

Yes, Mr. Speaker, and to Representative O'Neill, I would say if you comply with lines 87 to 857 it shall be effective which is in line 877. So I don't see any discretion for The Secretary of State's Office, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Representative O'Neill.

REP. O'NEILL (69th):

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Okay, thank you, Mr. Speaker, and I thank the gentleman for his answers. This may well be a solution that corrects the problem that we had in the 1980s and nineties, where we had many corporations routinely being dissolved because of the failure to file the necessary paperwork.

And then they found that they needed to or, as I said before, someone -- it became a matter of concern because someone noticed that the volunteer Fire Department, ambulance corps, or similar organization had no longer a corporate existence and corporate protection.

And that became important because somebody was probably filing a lawsuit or talking about filing one, and the members of those organizations found themselves worrying about whether they were going to lose their homes because they had volunteered to do things to help their communities.

So hopefully that this is a final solution to this problem, which apparently has been bedeviling the Legislature since the 1600s in one form or another. Thank you, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Thank you, sir.

Representative Noujaim of the 74th, sir, on the bill

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as amended.

REP. NOUJAIM (74th):

Thank you, Mr. Speaker, good afternoon you to.

DEPUTY SPEAKER BERGER:

Good afternoon, sir.

REP. NOUJAIM (74th):

Mr. Speaker, through you, I do have a question or two to the proponent of the bill.

DEPUTY SPEAKER BERGER:

Please proceed, sir.

REP. NOUJAIM (74th):

Incidentally, this bill is being proposed at this time, where only a few days ago as I was walking out of our church on Sunday, one of my constituents caught me and asked me this question. He said that he's a one man shop. He is simply a person who wakes up in the morning, starts his -- his lawn mower, and he will go out and cut grass and landscape. And basically he is an LLC.

The person told me, and there is nothing wrong with that, that he does not own a computer. Basically he does everything pencil and paper, and that's how he operates his business. The fact is now the Secretary of the State is not sending any notification through the mail, but only through a computers and online.

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The person is extremely worried that he will not be receiving any information from the Secretary of the State, and he's concerned about that. So through you, Mr. Speaker, how do we resolve this issue if this bill is -- is implemented?

DEPUTY SPEAKER BERGER:

Representative Ritter.

REP. RITTER (1st):

Yes, thank you, Mr. Speaker. I think that there's -- I will say this. The bill does address the idea that a business would provide its email address to the Secretary of State. However, they will still receive a notice via mail, both in the case that they did not file their annual report, and in the case of revocation of their ability to do business here in the State of Connecticut. Mr. Speaker.

DEPUTY SPEAKER BERGER:

Representative Noujaim.

REP. NOUJAIM (74th):

Thank you, Mr. Speaker. As he explained to me, he received notification from the Secretary of the State that no snail mail would be sent anymore. Everything will be done via the Internet. And if he is not -- if he's -- mistaken in this assumption, I would like to make sure

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that he can correct him accordingly. Is this the case?

Through you, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Representative Ritter.

REP. RITTER (1st):

Yes, Mr. Speaker, I do believe he is mistaken. I believe he will still receive these notices in the mail going forward, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Representative Noujaim.

REP. NOUJAIM (74th):

Thank you, Mr. Speaker, I'll make sure to communicate this information to him. And through you, Mr. Speaker, to Representative Ritter, I believe that every business that is no longer conducting its business in the State of Connecticut must pay a termination fee. How will this bill address the termination fee paid to the state? Through you, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Representative Ritter.

REP. RITTER (1st):

Mr. Speaker, and I appreciate the question. There is no longer going to be a dissolution fee, and it will not matter if you're a -- whether you're a foreign stock

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corporation or a -- you know, a State of Connecticut LLC.
We're getting rid of the fee entirely, again the hopes
being that that will force or make the businesses more
likely to file with the Secretary of State when they no
longer do business in the state of Connecticut, Mr.
Speaker.

DEPUTY SPEAKER BERGER:

Representative Noujaim.

REP. NOUJAIM (74th):

Thank you, Mr. Speaker. This is good to know.

And through you, Mr. Speaker, does this bill
address the termination fee, and if that is the case,
when would this be into effect?

Through you, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Representative Ritter.

REP. RITTER (1st):

Yes, Mr. Speaker, the bill does address the
termination fee the good representative alluded to.
But, again, as amended now, this all is going to take
effect July 1, 2015, so as to avoid a fiscal note for
the current biennium. It would be a fiscal note in
the 2015 - '17 biennium budget, which we'll hopefully
do over the time, Mr. Speaker.

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DEPUTY SPEAKER BERGER:

Representative Noujaim.

REP. NOUJAIM (74th):

Thank you, Mr. Speaker

I truly appreciate Representative Ritter's answers, and I will be supporting this piece of legislation.

Thank you, sir.

DEPUTY SPEAKER BERGER:

Thank you, sir.

Represent O'Dea of the 125th, sir, you are now ready.

REP. O'DEA (125th):

Thank you, Mr. Speaker.

A few questions for -- for the proponent, through you, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Please proceed, sir.

REP. O'DEA (125th):

This looks like a tax cut on a business. Through you, Mr. Speaker, would the proponent agree this is what, akin to a tax cut?

Through you, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Representative Ritter.

REP. RITTER (1st):

Thank you, Mr. Speaker.

I would -- I'm not trying to parse words here -- what I would say is that to the extent that a business is seeking to terminate its ability to do business in the state of Connecticut, they're no longer to pay a fee to do so, so I would say that they would probably not pay that out-of-pocket anymore.

The unfortunate part, though, is they're also terminating their business here in the state of Connecticut or dissolving it, so to speak.

DEPUTY SPEAKER BERGER:

Representative O'Dea.

REP. O'DEA (125th):

Thank you, Mr. Speaker.

Would the proponent agree -- through you, Mr. Speaker, would the proponent agree that this is a decrease in the regulatory process, at least through the dissolution of a company?

Through you, Mr. Speaker.

DEPUTY SPEAKER BERGER:

Representative Ritter.

REP. RITTER (1st):

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Mr. Speaker, absolutely.

DEPUTY SPEAKER BERGER:

Representative O'Dea.

REP. O'DEA (125th):

Well, in the year and a half that I've been here, this might be the first decrease in fees and regulations that I've been proud to support. And I would encourage my friends, on the other side of the aisle, when you push yes and enjoy the feeling of pushing yes and decreasing the cost of business and regulation to business, I would remind you to remember that feeling and maybe do it more often.

Through you, Mr. Speaker, thank you.

DEPUTY SPEAKER BERGER:

Thank you, sir, for your comments and your questions.

Will you comment further on the bill as amended?

Will you remark further on the bill as amended?

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

THE CLERK:

The House of Representatives is voting by roll.

The House of Representatives is voting by roll. Will members please return to the Chamber immediately.

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HOUSE OF REPRESENTATIVES

210
May 2, 2014

DEPUTY SPEAKER BERGER:

Have all the members voted? Have all the members voted?

Will the members please check the board to see if your vote has been properly cast.

If all the members voted, the machine will be locked. The Clerk will take a tally.

Clerk, please announce the tally.

THE CLERK:

On House Bill 5489 as amended by House "A."

Total number voting	149
---------------------	-----

Necessary for passage	75
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Those voting Yea	149
------------------	-----

Those voting Nay	0
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Those absent and not voting	2
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DEPUTY SPEAKER BERGER:

The bill as amended passes.

Will the Clerk please call Calendar Number 465.

THE CLERK:

On page 25, House Calendar 465, Substitute Senate Bill 363, AN ACT TRANSFERRING FUNDS DEPOSITED IN THE COMMUNITY INVESTMENT ACCOUNT TO THE DEPARTMENT OF HOUSING.

DEPUTY SPEAKER BERGER:

**S - 679
CONNECTICUT
GENERAL ASSEMBLY
SENATE**

**PROCEEDINGS
2014**

**VETO
SESSION**

**VOL. 57
PART 11
3246 – 3508**

pat/gbr
SENATE

275
May 7, 2014

SENATOR LOONEY:

Thank you, Madam President. Moving to Calendar Page 22 where there are three items. The first, Calendar 536, House Bill 5546, move to place on the Consent Calendar.

THE CHAIR:

So ordered, sir.

SENATOR LOONEY:

Thank you, Madam President. Second, Calendar 541, House Bill 5456, move to place on the Consent Calendar.

THE CHAIR:

So ordered, sir.

SENATOR LOONEY:

And Calendar 539, Calendar 539, House Bill 5294, move to place on the Consent Calendar.

THE CHAIR:

So ordered, sir.

SENATOR LOONEY:

Thank you, Madam President. Moving now to Calendar Page 25, where we have a single item, Calendar 564, House Bill 5489, move to place on the Consent Calendar.

THE CHAIR:

So ordered, sir.

SENATOR LOONEY:

Calendar Page 26, Madam President, where we have three items. The first, Calendar 568, House Bill 5434, move to place on the Consent Calendar.

pat/gbr
SENATE

290
May 7, 2014

003475

Calendar 500, House Bill 5547.

On Page 18, Calendar 507, House Bill 5530.

On Page 19, Calendar 512, House Bill 5386.

Calendar 514, House Bill 5521.

Calendar 516, House Bill 5500.

Calendar 517, House Bill 5305.

On Page 20, Calendar 527, House Bill 5592.

Calendar 528, House Bill 5453.

On Page 21, Calendar 531, House Bill 5299.

Calendar 533, House Bill 5290.

On Page 22, Calendar 541, House Bill 5456.

Calendar 539, House Bill 5294.

On Page 24, Calendar 551, House Bill 5588.

Calendar 552, House Bill 5269.

On Page 25, Calendar 564, House Bill 5489.

Calendar 562, House Bill 5446.

On Page 26 --

THE CHAIR:

Hold on. Okay. Sorry. Please proceed.

THE CLERK:

On Page 26, Calendar 568, House Bill 5434.

Calendar 569, House Bill 5040.

Calendar 566, House Bill 5535.

(HB5466)

pat/gbr
SENATE

295
May 7, 2014

SENATOR LOONEY:

If we might pause for just a moment to verify a couple of additional items.

Madam President, to verify an additional item, I believe it was placed on the Consent Calendar and Calendar Page 30, on Calendar Page 30, Calendar 592, Substitute for House Bill 5476.

THE CHAIR:

It is, sir.

SENATOR LOONEY:

It is on? Okay. Thank you. Thank you, Madam President. If the Clerk would now, finally, Agenda Number 4, Madam President, Agenda Number 4 one additional item ask for suspension to place up on Agenda Number 4 and that is, ask for suspension to place on the Consent Calendar an item from Agenda Number 4.

THE CHAIR:

Seeing no objection, so ordered, sir.

SENATOR LOONEY:

Thank you, Madam President, and that item is Substitute House Bill Number 5566 from Senate Agenda Number 4.

Thank you, Madam President. If the Clerk would now, if we might call for a vote on the Consent Calendar.

THE CHAIR:

Mr. Clerk. Will you please call for a Roll Call Vote on the Consent Calendar. The machine will be opened.

THE CLERK:

An immediate Roll Call has been ordered in the Senate.

pat/gbr
SENATE

296
May 7, 2014

An immediate Roll Call on Consent Calendar Number 2 has been ordered in the Senate.

THE CHAIR:

If all members have voted, all members have voted, the machine will be closed. Mr. Clerk will you please call the tally.

THE CLERK:

Consent Calendar Number 2.

Total number voting	36
Necessary for adoption	19
Those voting Yea	36
Those voting Nay	0
Those absent and not voting	0

THE CHAIR:

The Consent Calendar passes. Senator Looney.

SENATOR LOONEY:

Thank you, Madam President. Two additional items to take up before the, our final vote on the implementer. If we might stand for just, for just a moment.

The first item to mark Go is, Calendar, to remove from the Consent Calendar, Calendar Page 22, Calendar 536, House Bill 5546. If that item might be marked Go.

And one additional item, Madam President, and that was from Calendar, or rather from Agenda Number 4, ask for suspension to take it up for purposes of marking it Go, that is House Bill, Substitute for House Bill 5417. Thank you, Madam President.

THE CHAIR:

Seeing no objection, so ordered, sir.

SENATOR LOONEY:

**JOINT
STANDING
COMMITTEE
HEARINGS**

**JUDICIARY
PART 5
1904 – 2391**

2014

PAGE 19
LINE 9

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Testimony of John H. Lawrence, Jr.
Connecticut Bar Association
Chair, Business Law Section

In SUPPORT of
S.B. 411, "An Act Amending the Connecticut Business Corporation Act"

Judiciary Committee
March 10, 2014

Senator Coleman, Representative Fox and the other members of the Judiciary Committee:
Thank you for the opportunity to appear before the Judiciary Committee today.

My name is John H. Lawrence, Jr. I am a partner in the law firm of Shipman & Goodwin LLP in Hartford. The focus of my practice is on business and corporate law. I am testifying today as the Chair of the Business Law Section of the Connecticut Bar Association. The Business Law Section includes over 600 Connecticut attorneys who are interested in business and corporate law issues.

The Business Law Section supports Senate Bill 411, An Act Amending the Business Corporation Act (the "Bill") which includes several recent changes to the Model Business Corporation Act (the "Model Act") regarding irrevocable proxies, indemnification of officers, employees and agents, the duration of voting trusts and shareholder agreements, and the qualifications of directors. In response to Raised Bill No. 5489, which we believe will pass in this Session, the Bill also includes amendments to the Uniform Limited Partnership Act and the Limited Liability Company Act that would conform the reinstatement provisions after an administrative dissolution to the comparable provisions of the Connecticut Business Corporation Act (CBCA) and the Connecticut Revised Nonstock Corporation Act (CRNCA).

On behalf of the Business Law Section, we wish to thank the Committee for raising this important bill to keep Connecticut corporation law abreast of developments at the national level.

Specifically, among other things, the Bill would amend:

- Conn. Gen. Stat. Section 33-706 to clarify when the terms of an irrevocable proxy are binding on a transferee. The amendment provides that an irrevocable proxy does not terminate upon transfer of the underlying shares unless otherwise provided in the appointment of the proxy. The amendment will not change the rules relating to irrevocable proxies. It only attempts to eliminate an ambiguity in the existing statute.
- Conn. Gen. Stat. Section 33-776 to modify the indemnification provisions applicable to officers, employees and agents of a corporation to conform to the Model Act by establishing specific limits on indemnification of officers and deleting any statutory indemnification rights for employees and agents. Indemnification arrangements for employees and agents will be addressed by general common law principles of agency and by contract because they do not present conflicts raised by officer indemnification.
- Conn. Gen. Stat. Sections 715 and 717 to allow voting trusts and shareholder agreements to have a term of more than ten years. Existing voting trusts and shareholder agreements will be continue to be subject to the existing ten year limit with certain exceptions.
- Conn. Gen. Stat. Section 33-736 to clarify the rules governing qualifications for directors and nominees for directors.
- Conn. Gen. Stat. Sections 34-32c and 34-216 to make the Uniform Limited Partnership Act and the Limited Liability Company Act provisions governing reinstatement after an administrative dissolution retroactive to the date of dissolution, which is the rule applicable to a corporation that has been administratively dissolved under the CBCA or the CRNCA.

The Section would like to thank the Committee for accepting our recommendation to amend the Bill to conform the reinstatement provisions of the Uniform Limited Partnership Act and the Limited Liability Company Act to the reinstatement provisions applicable to a corporation that has been administratively dissolved.

These amendments were recommended by the Section in response to Raised Bill No. 5489, which, if enacted, would provide for administrative dissolution of corporations, limited partnerships and limited liability companies that are delinquent in their annual report filings with the Secretary of the State. Under the current law, if a limited partnership or limited liability company is dissolved and it is reinstated there is a question whether the reinstatement relates back to the date of the dissolution, unlike corporations where the statutory provisions are clearer on this issue. We believe that all of our entity statutes should be clear that reinstatement after an administrative dissolution relates back to the date of dissolution.

If Raised Bill No. 5489 were enacted, we believe it will be followed by a wave of administrative dissolutions and undoubtedly there will be numerous requests for reinstatement by entities that have inadvertently failed to make the required filings with the Secretary of the State. Having uniform provisions governing the relation back of a reinstatement among all corporations, limited partnerships and limited liability companies will clarify the reinstatement process and provide additional certainty to Connecticut entities.

Finally, we want to express our thanks to the Committee and the staff of the Legislative Commissioners' Office for following as closely as possible the language of the Model Act amendments. It is a real practical benefit to Connecticut lawyers for a Connecticut statute to follow the structure and language of a model act because we can look to decisions and scholarly articles in other states if there are no relevant Connecticut cases to help interpret the statute.

In addition, the Official Comments that accompany the Model Act are very helpful in interpreting provisions of the Connecticut statute. Those are benefits that are lost if the structure or language of our statute differs substantially from the Model Act. If the language of the Connecticut statute differs from the Model Act, then it immediately raises questions as to why different language was used and what was the intention of the General Assembly in changing the language. These issues are minimized if the Connecticut statute follows the structure and language of the Model Act.

**JOINT
STANDING
COMMITTEE
HEARINGS**

**JUDICIARY
PART 6
2392 – 2883**

2014

change that's ultimately approved.

Thank you.

REP. FOX: Thank you. Thanks for your input on this, because I think hearing from you is important and it's helpful.

Are there questions of Comptroller Lembo? I don't see anyone, so thank you.

STATE COMPTROLLER KEVIN LEMBO: Great. Thanks. Good to see you, Senator Coleman.

REP. FOX: Is Senator Looney here?

Then, Secretary of State Denise Merrill.

Good morning.

SECRETARY OF STATE DENISE MERRILL: Good morning, Judiciary Committee Chair Coleman, Chairman Fox Senator Kissel -- who is not here today -- Representative Rebimbas and members, and happy St. Patrick's Day to you all.

HB 5568

For the record, my name is Denise Merrill and I'm secretary of the State of Connecticut. There are many bills on your agenda today so I will try to be brief and I'll give you an explanation of the bill that I would like to testify about today -- actually two bills, and I'll be happy to take questions. I'll try to abbreviate a little bit of the entire process for what we're asking for, as described in my testimony.

So I'm here to testify on House Bill 5489, AN ACT CONCERNING THE INTEGRITY OF THE BUSINESS REGISTRY. As you know, the Secretary of State maintains the registration list of all business entities in the State. A primary purpose of

the list is to protect consumers.

For example, if you're a victim of a bad business, like a home improvement contractor that does substandard work on your home or business, you look that company up on our business registration list to find out whom to sue. Right now there are an estimated 400,000 registered businesses in Connecticut. Maintaining the accuracy of the list depends largely on the businesses fulfilling their obligation to file annual reports and update their information as they change as a company. If a business wishes to dissolve or stop doing business in the State currently the law generally only allows for an individual business to dissolve itself. My office cannot remove them from the list for failure to keep up with annual reports, for example.

Of course, many businesses fail, relocate to another state and then neglect to file the dissolution papers with our office, so now we have a list that has become highly inaccurate over the years and it has grown since the Legislature repealed the law that allowed for us to do administrative dissolution 20 years ago.

Administrative dissolution is a process by which the State, my office namely, can dissolve a business that it has reason to believe no longer exists. There's also a process by which a business can be restored if, in fact, the State is wrong or there's some error.

Prior to 1995 the Secretary of the State's Office had the ability to administratively dissolved corporations or other entities, a process that most states still use. Under the old law if your business was dissolved you had three years to correct your record and be

reinstated, and beyond that time you could only be reinstated by special act of the Legislature.

Now our proposal today proposes to change but it improves on the old process with the new process, but does restore administrative dissolution. Of the 400,000 businesses on file there's a pool of roughly 150,000 that are, shall we say, of concern to us. That's because I have no way of knowing if the businesses in that group are defunct or if they're simply chronically noncompliant. It's frustrating to know that the registry has significant inaccuracies and I am incapable of correcting it currently.

It's also a significant expense to the office to continue to mail to companies that are either defunct or have moved to another location. Each year we receive hundreds of return mailings from such entities, yet we must by law continue to mail to all entities on the list. I'm also concerned, more and more so, that these inaccuracies could be an opportunity for occurrence of business identity theft which is an increasing problem, and if there are bad actors that use dormant companies for illegal activities.

Over the last few years I've tried to improve the list with some tools we do still have. For example, this year we sent 120,000 default notices to the principals of noncompliant entities at their residential addresses on record. Normally the notice is sent to their business address. That actually worked to some degree, because we had now tens of thousands of entities -- tried to correct their records by catching up on their annual report filings or by filing their dissolution. And in other cases we were able to confirm that the

principal no longer resides at the address on file.

So that helped, but as caretaker of the list I recognize the problem and I'm suggesting the following solution. First we should remove the fee to dissolve a company, the so-called death fee for corporations. The need to correct the list is very important. Consumers rely on this list. There should be no barriers to someone's ability to comply.

Second, we should reinstate the powers of administrative dissolution, but this time we should have a law that does not have a defined window of time in which a business could restore it's good standing. Instead there would be no time limit at all and it would eliminate the need for special acts of the Legislature -- that I, by the way, can still remember when I was in the Legislature -- and the barrier of a deadline by which to correct the status. So in other words, you'd be able to reinstate at any time if there was an error. We would be aligned with many other states in having a law like this.

There are some things in the bill that are sort of more specific. For example, we do treat the two different categories of businesses, so there are domestic and foreign businesses that we register. Foreign businesses, not meaning foreign companies, but those entities that are formed under a different state law who then get authorization to conduct business in Connecticut. And if people are interested I can describe the two differences that you'll see in our proposal, but in the interests of time I'll skip that part, which is it your testimony that I've submitted.

So just to review, the timeline for

administrative dissolution under the old system was three years. Our proposal would have no timeline. And now I think that the world has changed since we made this change 20 years ago and took this away. With e-mail communication it's much easier for us to get in touch with businesses. And if your business has been administratively dissolved it can be reinstated by complying with the requirements of the pertinent reinstatement statutes.

You're required to update any past due annual reports, provide documentation from the DRS that your taxes and penalties are paid. And you know, I would estimate there is a cost of course to eliminating the fee, but we're figuring that the cost of revenue loss is about \$500,000 annually to the State. But remember that that calculation is lost revenue from entities who are correctly complying with the law. It does not account for the expenses related to attempting to get noncompliant entities to correctly comply with the law. In other words, there's some expense to not doing it. So I urge passage. The bill will clean up our business registry and not subject as many defunct businesses to being charged the business entity tax long after they have shut their doors.

I want to briefly testify also about H.B. 5568, AN ACT CONCERNING ATTEMPTED FRAUDULENT VOTING. I won't testify extensively about that because there is an identical bill in the GAE Committee which I completely support. I believe my testimony in GAE is appended to what we have submitted today. And so in an effort to sort of streamline things I'll refer you to my comments, but basically this bill would make the attempt to vote twice a criminal offense. Currently only the actual act of voting twice is an offense.

So we did have an incident this year that was reported to the election enforcement commission where someone supposedly tried to vote at a second address in a separate jurisdiction. They were told they couldn't and so they walked away and we were told that could not be investigated because the election enforcement commission couldn't act on something that was just an attempt to vote rather than actually being able to vote twice. So we think that should be rectified.

Thank you. At this point I'd be happy to answer any questions.

REP. FOX: Thank you.

Are there any questions for Secretary Merrill?

Representative Walko.

REP. WALKO: Thank you, Chairman.

A question for you on the CONCORD system. So currently there is no information concerning e-mail addresses. Is there -- especially in light in this proposed legislation, is there any movement to require e-mail addresses as a form of identification for businesses?

HB5489

SECRETARY OF STATE DENISE MERRILL: Only in the sense that we now require all businesses to file their annual reports online. So we have a record of an e-mail address which they use for this filing.

So that means that many of the current businesses we're much more able to keep track of. Most of these 150,000 businesses that we don't know about are older filings that have not filed online. But yes, we do have a

record. It is not a public record however.

REP. WALKO: Okay. And do you know what other states do relative to such an e-mail address that could help streamline communications with businesses?

SECRETARY OF STATE DENISE MERRILL: I don't. And let me just turn to -- I do have my staff here. Seth Klaskin is the director of the division that handles the business registry. So let me see if he may know something about this.

Seth?

REP. FOX: Just identify yourself first.

SETH KLASKIN: Seth Klaskin. I'm the Director of the Business Services Division of the Commercial Recording Division at the Office of the Secretary of the State. Good morning, Representatives and Senators.

First of all as to e-mails, we required in the mandatory online filing bill that passed a few years ago and went into effect January 1st of '12, that entities provide their e-mail addresses when they file their annual reports.

This bill does however change that slightly in that we're asking the Title 34 entities, LLCs, LPs, LLPs, et cetera; to provide their e-mail addresses upon formation instead of only during annual report intervals because we've determined over time that a lot of -- the problem that causes the failure to comply in a lot of cases is when an entity falls into a cycle of noncompliance because they never filed their first annual report. Then if they move or change e-mail addresses we have no way to get notices to them to remind them to file their annual reports. So this bill does

address that to a degree.

To answer your other question about whether other states require e-mail addresses, honestly I have not researched that. I do not know, but I'm fairly sure through our professional organization and meetings I've attended in regard to that, that most states do at least collect e-mail addresses and maintain them in an internal database even if they don't make them public.

REP. WALKO: And my last question is, recently you've added a feature to your online CONCORD system where it makes you input certain numbers and letters. I was wondering the purpose of that and if it's been a success or not?

SETH KLASKIN: Yeah, we had to install an institute a captcha procedure, which is where the user, when they go to do a search, for example, they also have to enter those, you know, the funky letters and numbers and then hit enter on that. And the reason that those are used generally is the same reason we adopted it, which is there are companies that try to enter our database and download large amounts of information and they often do that during the daytime and it has the potential to occasionally overflow our system.

It doesn't crash our system in any way and it's not hacking, but it does overburden our system at times during busy times and we'd prefer for that to happen, especially when we do have means of providing data to entities at off-peak hours. So we've instituted the captcha procedure in order to make it so that an actual person has to eye read the screen and enter the data by hand so that the large data grabbers don't -- are foiled and aren't able to do that during the day.

REP. WALKO: Thank you for responses.

Thank you, Mr. Chairman.

REP. FOX: Are there other questions. Representative Rebimbas?

REP. REBIMBAS: Thank you, Mr. Chair. And good morning.

Thank you for your testimony. And I almost dare to say, this just seems commonsense legislation that you have before us and I certainly welcome it. You know, many a times especially when it comes to businesses, if they're financially struggling, and that's not the only reason why businesses dissolve, but that can certainly be probably the majority of them.

They're not going to go into their pockets for, you know, a fee to dissolve the business they're after, but yet the State has the burden to continuously spend money with the notifications and mailings, so certainly I think that's a wonderful proposal.

I did want to ask a question regarding the reinstatement process. I know you had indicated that the person would have to show that they're compliant with their tax payments and other documents. Is there a reinstatement fee at all?

SETH KLASKIN: Yeah, that --

SECRETARY OF STATE DENISE MERRILL: I'll leave that to -- Mr. Klaskin to answer as well.

SETH KLASKIN: Thank you, Representative Rebimbas.

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rgd/gbr JUDICIARY COMMITTEE

March 17, 2014
10:00 A.M.

Yeah, there is a standard fee to reinstate and that's just a filing fee. It's not a tremendous expense at all.

REP. REBIMBAS: Okay. And for the benefit of the committee members that may not be familiar with the filing fee, how much is that?

SETH KLASKIN: It depends on what type of entity, but it's usually between 60 to 120 dollars for a foreign entity to apply. For a certificate of authority, again is more, is slightly more expensive than that because they also -- it's a two-part filing.

REP. REBIMBAS: Okay. And just -- also just some clarification how you had reached the one year of administratively being able to, I guess, it's not dissolving, per se, but discontinuing the business, opposed to previously you had indicated that it was three years.

What was the rationale for the one-year and whether or not you believed that does allow your office and the company a sufficient amount of time to properly be able to respond?

SECRETARY OF STATE DENISE MERRILL: Yeah, the three-year -- first of all, the three-year period was actually on reinstatement and now we have no time limit on reinstatement whatsoever. But the one-year I believe was always the case in the previous law as well. And that's because, you know, we want to get this cleared up as soon as possible. And again, now mostly these are older filings because now with the requirement for the e-mail we're much more able to keep up with the recent filings. So the one-year is just simply to clean up the list.

REP. REBIMBAS: Thank you very much for your testimony.

REP. FOX: Thank you.

Are there other questions? Chairman Coleman.

SENATOR COLEMAN: Good morning.

SECRETARY OF STATE DENISE MERRILL: Good morning.

SENATOR COLEMAN: Let's see. Just out of curiosity, in the case of a defunct nonprofit corporation, if someone who's connected with that entity wanted to dissolve the corporation, how many individuals would it take in order to, under current law, in order to dissolve.

SECRETARY OF STATE DENISE MERRILL: Just one person filing? Our office actually doesn't distinguish between profit, for-profit nonprofit. You know, we just simply keep the agent of record, so whoever is the agent of record would be the person that would be able to dissolve.

SENATOR COLEMAN: Would a member of the board of directors of such an entity be able to file for dissolution?

SECRETARY OF STATE DENISE MERRILL: I should let Seth answer this. Apparently this is a little more complicated.

SETH KLASKIN: Yeah, senator Coleman. Any officer or director or person with authority under the statutes could dissolve.

SENATOR COLEMAN: And under the bill as proposed, the Secretary of State's office would be able to dissolve such an entity?

SETH KLASKIN: Yes, with proper notice and due process that's built into the statute we would

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rgd/gbr JUDICIARY COMMITTEE

March 17, 2014
10:00 A.M.

be able to administratively dissolve by, you know, sending a notice that we intend to. And then after a period of time then filing a certificate of dissolution on the record and also publishing that and separately notifying the entity once again that it had been dissolved.

SENATOR COLEMAN: Okay. Thank you.

Thank you, Mr. Chairman.

REP. FOX: Thank you.

Are there other questions? Thank you both for your testimony.

Next is State Senator Carlo Leone. Good morning, Senator.

SENATOR LEONE: Good Morning, Mr. Chairman.

For the record, I am Senator Carlo Leone and I want to thank Chairman Senator Coleman, Chairman Representative Fox, Ranking Member Senator Kissel, Representative Rebimbas and members of the committee for allowing me to come here and testify today and Senate Bill 464, AN ACT CONCERNING THE ADMINISTRATION OF HAIR FOLLICLE DRUG TESTING BY CLINICAL LABORATORIES.

You should have my testimony before you. I don't want to read it verbatim, because with your indulgence I would like to cede most of my time to my constituent who has a story to tell in reference to this bill that sparked this legislation. And if I may, would it be okay to call him up?

REP. FOX: Sure. Please proceed.

MDMA -- that's the drug that the kids referred to as Molly, how kids are taking ADHD drugs and using them as a synthetic form of cocaine. These are the things that we uncovered. The other things that we uncovered was that the lifespan of the drugs that these kids are using today in urine tests is between 12 and 72 hours. If your kid is using something on Thursday and you want to get him taken on Tuesday to get screened, there's a good probability that it's not going to show up in his urine.

So then we became aware of the hair follicle drug test, which when administered would turn around and produce results that would show what your children may be using between 30 and 90 days. I want to point that out because when you're going to a provider to get help they don't know whether to tackle it as a mental issue or a drug issue. This type of information is vital in drawing up a treatment plan.

I made the decision to go online and have an appointment made through a popular provider that dominates the industry in Connecticut. They let us know when our appointment was and we arrived for the day to get the appointment done. When we arrived at the facility we were quickly greeted with the information that we didn't have the provided paperwork necessary to conduct the tests that we were seeking.

So I immediately got ahold of our pediatrician, my son's doctor and went to the office myself. I got the necessary paperwork that the doctor's office provided and they faxed it over to drug testing provider. And upon getting there they let us know that it was inappropriate paperwork, that the requisition wasn't the appropriate one. And the following couple

hours ensued several phone calls back and forth between myself, the drug testing center, my son's doctors.

Why is it so difficult to get something so simple done? My son was with me. He was willing to do it and they're telling us the paperwork is inappropriate.

If an employer wanted to get this done through their employee, then why cannot a parent get the same test done for their son or daughter, because we have the most vested interests?

With the synthetic prescription drugs and the many drugs that are out there today this is one of the most conclusive tests that can be administered to a teenager. The teenager is not going to be willing to turn around and say, yeah, this is what I'm doing. But we have to act on their behalf because as a parent you want what's best for your children.

Four days after having this failed attempt I came home to find son. I don't know if this would have changed the outcome, but I certainly would have liked to have the opportunity.

Thank you all for hearing me.

REP. FOX: Thank you, Mr. Cruz. And Senator Leone has discussed this with me several times and thank you for taking the time to be up here to testify before us.

Are there any questions for either Senator Leone or Mr. Cruz? Senator Leone.

SENATOR LEONE: Yes, Mr. Chairman. I want to thank you for you and the committee for hearing this story. As you can see, it's very moving and something no parent should have to go through.

This bill would simply allow that any future parent that wants to have a hair follicle drug test with the consent of their child be able to do so outside of being told that only a court order or an employer can request that. So we believe that this is a simple and we hope that committee members agree that this is legislation you will consider for proposal and passage and I would urge support. Thank you.

REP. FOX: Thank you. Thank you very much.

Judge Paul Knierim. Good morning.

JUDGE PAUL KNIERIM: Good morning, Representative Fox, Senator Coleman, Representative Rebinbas, members of the committee. I'm Paul Knierim, Probate Court Administrator. And I'm here to offer my a very strong personal support as well as the official support of my office for Raised Bill 5489, AN ACT CONCERNING HEALTH INSURANCE COVERAGE FOR PROBATE COURT PERSONNEL.

SB 360

You've heard from the Comptroller Kevin Lembo earlier on the same topic and my comments are very much aligned with his. The purpose of the bill is to rectify an unfairness that is currently embodied in statute that requires probate court employees as well as judges to pay more for health insurance for their dependents than state employees pay for the same coverage.

A couple of words by way of background, the framework that we operate under has been in place since 1997. That's when Legislature adopted legislation that enabled probate judges and probate court employees to participate in the state employee health insurance plan. And that framework provides for our employees all the same options and providers that state

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LWC 17

DENISE W. MERRILL

SECRETARY OF THE STATE

CONNECTICUT

**Judiciary Committee
Public Hearing Testimony
March 17, 2014**

HB 5568
HB 5478

Good morning to the Judiciary Committee – Chairman Coleman, Chairman Fox, Sen. Kissel, Rep. Rehimbas and members. For the record, my name is Denise Merrill and I am Secretary of the State of Connecticut. There are many bills on your agenda today. I wanted to address just a few bills today, and I will be happy to take questions afterwards.

H.B. No. 5489 AN ACT CONCERNING THE INTEGRITY OF THE BUSINESS REGISTRY

As you know, the Secretary of the State maintains the registration list of all business entities in the state. A primary purpose of this list is to protect consumers. For example, if you are victim of a bad business – like a home improvement contractor that does substandard work on your home – you look that company up in our business registration list to find out whom to sue. Right now there are an estimated 400,000 registered businesses in Connecticut.

Maintaining the accuracy of the list depends largely on the businesses fulfilling their obligation to file annual reports and update their agents of service/principals and contact information as they change at the company. If a business wishes to dissolve or stop doing business in the state, currently the law—in general—only allows for the individual business to dissolve itself. My office cannot remove them from the list for failure to keep up with annual reports.

Of course, many businesses fail or relocate to another state and neglect to file the dissolution papers at our office. Now we have a bloated list and we know that that some significant percentage of that list is inaccurate. The inaccuracy of this list has grown since the legislature repealed the law that allowed for administrative dissolution twenty years ago. Administrative dissolution is a process by which the state can dissolve a business that it has reason to believe no longer exists. There is also a process by which a business can be restored if, in fact, the state is wrong.

Prior to 1995, the Secretary of the State's office had the ability to administratively dissolve corporations or other entities – a process that many states still use. Under the old law, if your business was dissolved you had three years to correct your record and be reinstated, and beyond that time you could only be reinstated by special act of the legislature. Our proposal today improves upon the old process.

Of those 400,000 businesses on file there is a pool of roughly 150,000 that concern me. That is because I have no way of knowing if the businesses in that group are defunct or if they are simply chronically non-compliant. It is frustrating to know that the registry has significant inaccuracies and that I am incapable of correcting them.

It is also a significant expense to my office to continue to mail to companies that are either defunct or have moved to another location. Each year we receive hundreds of returned mailings from such entities, yet we must by law continue to mail to all entities on our list. I am also concerned that these inaccuracies could be an opportunity for occurrences of business identity theft should bad actors utilize dormant companies.

Over the last few years I have tried to improve the list with the tools we have. For example, this year we sent 120,000 default notices to the principals of non-compliant entities at their residential addresses on record. Normally those notices are sent to their business address. This project sparked tens of thousands of entities to correct their records by catching up with their annual report filings or by filing their dissolution. In other cases we were able to confirm that the principal no longer resides at the address on file.

As the caretaker of the list I recognize the problem and I am suggesting the following solution. First, we should remove the fee to dissolve a company. The need to correct the list is important. There should be no barriers to someone's ability to comply. Second, we should reinstate the power of administrative dissolution, but this time we should pass a law that does not have a defined window of time for a business to restore its good standing. Instead, there would be no time limit at all, therefore eliminating the need for special acts of the legislature and the barrier of a deadline by which to correct their status. We would be aligned with many other states in having no deadline.

I should also explain that there are two categories of businesses in our statute: domestic or foreign. Domestic businesses are those that are formed under Connecticut law. Foreign business entities are those formed under a different state law who then get authorization to conduct business in Connecticut. In my proposal, as in current law, these two groups are treated slightly differently. Also of course there are several types of business entities, including LLC, Corporate stock or corporate nonstock, and LLPs.

Here is how it would work for domestic entities. My office would be able to utilize the administrative dissolution of an entity whenever it is more than one year in default of filing its annual report. For non-stock corporations, it would be more than two years in default. The timeline is longer for non-stock corporations because this is the category used by most non-profits and since many of them have minimal staff, if any, I wanted to give them a little extra leeway.

After being out of compliance for this amount of time, my office may notify such a corporation by certified mail that it is to be administratively dissolved. So, unless the corporation within three months of the mailing of such notice files such annual report, my office shall prepare and file a certificate of administrative dissolution. My office then sends an additional mailing to inform the business that it has been dissolved.

For foreign entities my office could commence a proceeding to revoke the certificate of authority of a foreign corporation authorized to transact business in this state if the foreign corporation has failed to file its annual report with my office. If the foreign corporation does not correct each ground for revocation within ninety days after mailing of the notice, the foreign corporation's certificate of authority may be revoked.

Just to review, the timeline for administrative dissolution under the old system was three years. This system was eliminated by an amendment on the floor of the House of Representatives. From time to time an entity would be dissolved and there would be resulting constituent bills with a list of entities to be reinstated.

But the world was a different place even 20 years ago. Now with email communication it is easier to keep in touch with a business which may have moved its physical address. This is also an easier and no-cost way of reminding them to file before they are out of compliance.

If your business has been administratively dissolved, it can be reinstated by complying with the requirements of the pertinent reinstatement statutes (e.g., 33-892 and 33-1183 for business and non-stock corporations, respectively, and 34-216 for limited liability companies). You are required to update any past due annual reports and provide documentation from the Department of Revenue Services that your taxes as well as any penalties are paid.

I would estimate that the cost of revenue loss for eliminating the fee to dissolve a business entity would be \$500,000 annually to the state, but it is important to remember that this calculation is

the lost revenue from entities who are correctly complying with the law, and it does not account for the expenses related to attempting to get noncompliant entities to correctly comply with the law.

I urge passage. This bill will clean up our business registry and not subject as many defunct businesses to being charged the business entity tax long after they have shut their doors.

H.B. No. 5568: AN ACT CONCERNING ATTEMPTED FRAUDULENT VOTING

First, this is nearly identical to a bill in the Government Administration and Elections Committee, which I support completely. In an effort to streamline our legislative process and since this bill has already been heard in front of the Government Administration and Elections Committee and will very likely come before you soon, I will refer you to my comments in support of that bill, which is HB 5478.

A copy of that testimony is attached. Briefly, this bill would make the ATTEMPT to vote twice a criminal offense. Currently, only the ACTUAL act of voting twice is an offense. Thank you and at this point I would be happy to answer any questions you might have.

Please see the below testimony from the March 10 GAE public hearing on HB 5478, attached on the following page.