



Fiscal Note

Legislative Council Staff

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HB 26-1088: BUSINESS ENTITY FILING SECRETARY OF STATE

Prime Sponsors:

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Fiscal note status: The fiscal note reflects the introduced note as amended by the House State Affairs Committee.

Summary Information

Overview. The bill changes how business entity filings may be voided or determined to be fraudulent.

Types of impacts. The bill is projected to affect the following areas on an ongoing basis:

- State Expenditures
- State Revenue

Appropriations. For FY 2026-27, the bill requires an appropriation of \$193,954 to the Department of State.

Table 1
State Fiscal Impacts

Type of Impact	Budget Year FY 2026-27	Out Year FY 2027-28
State Revenue	\$0	\$0
State Expenditures	\$216,038	\$96,189
Transferred Funds	\$0	\$0
Change in TABOR Refunds	\$0	\$0
Change in State FTE	1.1 FTE	1.2 FTE

Fund sources for these impacts are shown in the tables below.

**Table 1A
State Expenditures**

Fund Source	Budget Year FY 2026-27	Out Year FY 2027-28
General Fund	\$0	\$0
Cash Funds	\$193,954	\$72,215
Federal Funds	\$0	\$0
Centrally Appropriated	\$22,084	\$23,974
Total Expenditures	\$216,038	\$96,189
Total FTE	1.1 FTE	1.2 FTE

Summary of Legislation

Current Process

Under current law, a business entity files documents concerning the creation, organization, and operations of the entity with the Department of State (DOS) and pays a filing fee. The DOS has a complaint process to address situations where a business identity or personal identifying information has been used without authority or for fraudulent activity. If a complaint is submitted, the DOS reviews it, and may forward it to the Attorney General (AG) if certain criteria are met. The AG may then prosecute the complaint or demand information from the business entity. If the business entity does not respond to the demand within 21 days the AG must issue a second demand. If the business entity does not respond to a second demand within 21 days, the AG may determine that the business entity has conceded the case.

Changes under this Bill

The bill allows the DOS to mark any filing as void and adjust the filing entity's status if payment is incomplete, and prohibits using a fraudulent entity as a registered agent. In addition, the bill, modifies the complaint process by:

- requiring the DOS to mark a business record with a notice that the entity has received a complaint or is under investigation;
- allowing the DOS to mark a business record with a notice that an entity is unauthorized or fraudulent without referring a complaint about the entity to the AG if the DOS receives a notice from the AG that that entity's listed registered agent, itself an entity, has been determined to be fraudulent;
- allowing the DOS to mark a filling as fraudulent, redact the address, and disable an entity's filing ability if a filling incorrectly claims that the Secretary of State is associated with the business;
- expanding who the AG may contact; and

- repealing the requirement that the AG issue a second demand for information before determining that a business entity has conceded the case.

If it is determined that the business entity has committed a violation, the bill allows the injured party to bring a court action to dissolve the entity. Under current law, all such actions are brought in the district county associated with the entity. The bill requires actions to be brought in the District Court for the City and County of Denver.

State Revenue

The bill may contribute to increased state revenue from fees charged by the DOS starting in FY 2026-27. The DOS sets business filing and other fees to cover its costs. Given the relatively small increase in expenditures estimated below, it is assumed that existing fee revenue and available fund balance can be used to cover the costs of the bill. Fee revenue collected by the DOS is subject to TABOR.

State Expenditures

The bill increases state expenditures in the DOS by \$216,000 in FY 2026-27 and \$96,000 in future years. These costs, paid from the Department of State Cash Fund, are summarized in Table 2 and discussed below. The bill also minimally affects workload in the Department of Law and the Judicial Department.

Table 2
State Expenditures
Department of State

Cost Component	Budget Year FY 2026-27	Out Year FY 2027-28
Personal Services	\$65,946	\$70,679
Operating Expenses	\$1,408	\$1,536
Capital Outlay Costs	\$7,000	\$0
IT Programming Costs	\$119,600	\$0
Centrally Appropriated Costs	\$22,084	\$23,974
Total Costs	\$216,038	\$96,189
Total FTE	1.1 FTE	1.2 FTE

Department of State

The DOS will have staff and information technology costs to void business filings and issue complaint determinations, as discussed below.

Void Business Filings

The DOS will have one-time IT programming costs of \$119,600 to update its database to allow business filings to be marked as void or subject to a complaint. In addition, 0.3 FTE is required to review instances where a payment is not completed and to mark filings as void if payment is not received. These costs are based on current data, which suggests that every year 3,550 business entities fail to pay their filing fees, of which about 150 filings make it into the database with no current mechanism to be marked as void.

Complaint Determinations

The DOS requires 0.9 ongoing FTE to apply the current business fraudulent filing process to complaints that are not handled by the Attorney General. This estimate assumes DOS will do preliminary work on each of the approximately 5,000 complaints received annually but makes no assumptions about determinations made by the DOS.

Department of Law

To the extent that fewer complaints are forwarded to the AG, workload in the Department of Law will decrease. As discussed above, it is unknown how many fewer complaints will be referred to the AG; any change in appropriations will be handled through the annual budget process.

Judicial Department

The bill is expected to increase the volume of civil cases filed in Denver District Court. However, additional cases will be filed only if the DOS determines that an entity has submitted a fraudulent filing to them and in response, they must dissolve the entity. Due to the narrow subject matter any increase in cases will be absorbable within current resources.

Centrally Appropriated Costs

Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which may include employee insurance, supplemental employee retirement payments, indirect cost assessments, and other costs, are shown in Table 2 above.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State Appropriations

For FY 2026-27, the bill requires an appropriation of \$193,954 from the Department of State Cash Fund to the Department of State, and 1.1 FTE.

State and Local Government Contacts

Counties	Personnel
Judicial	Regulatory Agencies
Law	Secretary of State

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).