

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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**FISCAL IMPACT STATEMENT**

**LS 6457**

**BILL NUMBER:** HB 1075

**NOTE PREPARED:** Dec 8, 2022

**BILL AMENDED:**

**SUBJECT:** Nonprofit Organizations.

**FIRST AUTHOR:** Rep. Jeter

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:**  GENERAL  
 DEDICATED  
 FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** This bill has the following provisions:

- (1) Expands the definition of "public benefit corporation" to include a domestic corporation that is supported by public funds or authorized to spend public funds in furtherance of its mission or that is a nonprofit corporation that aims to serve a public benefit.
- (2) Provides that a court may dissolve a nonprofit corporation under certain circumstances.
- (3) Specifies procedural requirements that the Attorney General must take before petitioning the court for dissolution for certain reasons.
- (4) Provides additional remedies that the Attorney General may seek for violations.
- (5) Requires a nonprofit corporation to maintain certain records for three years.
- (6) Allows the Attorney General to inspect records that a nonprofit corporation is required to maintain.
- (7) Makes conforming changes.

**Effective Date:** Upon passage.

**Explanation of State Expenditures:** This bill will increase the workload of the Attorney General to investigate and enforce the prohibitions in this bill. Increases in workload and/or expenditures could be offset with the collection of court-ordered reimbursement of enforcement costs and civil penalties levied for violations.

**Explanation of State Revenues:** *Summary* - This bill could increase civil penalty revenue and reimbursement for costs associated with enforcement actions taken by the Attorney General. Civil penalty revenue received from violations could be retained by the Attorney General. Additionally, the bill could

increase revenue to the Common School Fund and General Fund from increases in Class A misdemeanor convictions.

Additional Information -

*Civil Penalties:* The bill establishes new civil penalties for violations. The Attorney General would be able to request a civil penalty of not more than \$10,000 for a first violation of a public benefit corporation and not more than \$20,000 for second and subsequent violations in addition to a dissolution. The bill also establishes a civil penalty range between \$1,000 and \$10,000 for violations committed by corporate officers and directors.

*Penalty Provision:* The bill creates a Class A misdemeanor for committing fraud associated with record-keeping of public benefit corporations. If additional court cases occur and fines are collected, revenue to both the Common School Fund (from fines) and the state General Fund (from court fees) would increase. The maximum fine for a Class A misdemeanor is \$5,000. However, any additional revenue would likely be small.

**Explanation of Local Expenditures:** *Penalty Provision:* A Class A misdemeanor is punishable by up to one year in jail.

**Explanation of Local Revenues:** *Penalty Provision:* If additional court actions occur and a guilty verdict is entered, local governments would receive revenue from court fees. However, any change in revenue would likely be small.

**State Agencies Affected:** Attorney General.

**Local Agencies Affected:** Trial courts, local law enforcement agencies.

**Information Sources:**

**Fiscal Analyst:** Bill Brumbach, 317-232-9559.