

SF1734 - 0 - Process for Removal of Fraud. Business Filing Est.

Chief Author: **Matt Klein**
 Committee: **State and Local Government**
 Date Completed: **3/26/2025 10:37:33 PM**
 Lead Agency: **Secretary of State**
 Other Agencies:
 Administrative Hearings Public Defense Board
 Supreme Court

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology	X	
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative.
 Reductions shown in the parentheses.

State Cost (Savings)		Biennium			Biennium	
Dollars in Thousands		FY2025	FY2026	FY2027	FY2028	FY2029
Secretary of State						
General Fund	-	690	610	610	610	610
State Total						
General Fund	-	690	610	610	610	610
Total	-	690	610	610	610	610
Biennial Total			1,300			1,220

Full Time Equivalent Positions (FTE)		Biennium			Biennium	
		FY2025	FY2026	FY2027	FY2028	FY2029
Secretary of State						
General Fund	-	7	7	7	7	7
Total	-	7	7	7	7	7

Lead LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Chloe Burns **Date:** 3/26/2025 10:37:33 PM
Phone: 651-297-1423 **Email:** chloe.burns@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium
Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029
Secretary of State					
General Fund	-	690	610	610	610
Total	-	690	610	610	610
Biennial Total			1,300		1,220
1 - Expenditures, Absorbed Costs*, Transfers Out*					
Secretary of State					
General Fund	-	690	610	610	610
Total	-	690	610	610	610
Biennial Total			1,300		1,220
2 - Revenues, Transfers In*					
Secretary of State					
General Fund	-	-	-	-	-
Total	-	-	-	-	-
Biennial Total			-		-

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Chief Author: **Matt Klein**
 Committee: **State and Local Government**
 Date Completed: **3/26/2025 10:37:33 PM**
 Agency: **Secretary of State**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology	X	
Local Fiscal Impact		X

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State Cost (Savings)		Biennium			Biennium	
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Total	-	690	610	610	610	610
Biennial Total			1,300			1,220

Full Time Equivalent Positions (FTE)		Biennium			Biennium	
		FY2025	FY2026	FY2027	FY2028	FY2029
General Fund	-	7	7	7	7	7
Total	-	7	7	7	7	7

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Chloe Burns **Date:** 3/26/2025 10:32:50 PM
Phone: 651-297-1423 **Email:** chloe.burns@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

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Dollars in Thousands		FY2025	FY2026	FY2027	FY2028
					FY2029
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1 - Expenditures, Absorbed Costs*, Transfers Out*					
General Fund	-	690	610	610	610
Total	-	690	610	610	610
Biennial Total			1,300		1,220
2 - Revenues, Transfers In*					
General Fund	-	-	-	-	-
Total	-	-	-	-	-
Biennial Total			-		-

Bill Description

SF 1734 establishes a procedure for removing fraudulent filings from the Secretary of State's business filing database, establishes design and content requirements for business solicitations, and makes conforming changes.

Article 1 is the Minnesota Business Filing Fraud Prevention Act.

Section 1 defines terms used in the bill.

Sections 2-7 establish a process for investigating and removing fraudulent filings. If a complainant believes that a document has been filed that wrongfully modifies information about a business or registers a business using someone else's identity, they can deliver a "declaration of wrongful filing" to OSS. This includes information about the complainant, the filing at issue, and the reasons they believe the document was filed wrongfully. OSS reviews the filing and accepts it except in certain limited circumstances (i.e. information is incomplete, OSS has already made a decision in the case, or OSS believes the intent is to harass or defraud the filer).

After accepting the declaration of wrongful filing, OSS sends notice by mail to the complainant and the original filer describing the allegations and explaining the process. Notice is deemed received upon mailing.

The filer has 21 calendar days to respond and refute the allegations. If the filer does not respond within 21 days, OSS deems the filing fraudulent.

If the filer does respond with information to refute the allegations, OSS will investigate and make a preliminary determination of whether the filing is fraudulent. Then, OSS sends notice to the two parties of the preliminary determination and the nonprevailing party has 10 days to respond. The prevailing party may also send additional information if they wish.

If the nonprevailing party does not respond, the preliminary determination becomes final. If the nonprevailing party does respond, OSS considers any additional information provided and makes a final determination. Section 6 lists several factors OSS may use in making preliminary or final determinations.

If OSS deems a filing fraudulent, the office will issue a final order providing the rationale for this decision. OSS will mark the fraudulent filing in the business filing database and redact any names and addresses that were not authorized to be used. OSS may also take other actions to prevent further fraudulent filings and protect private information, in consultation with the complainant.

If OSS determines that a filing is not fraudulent or there is not enough information to make a determination, the office will

issue a final order providing the rationale for this decision. The filing would not be removed from the business filing database.

Section 8 provides for judicial review of OSS' decision. The nonprevailing party can appeal the order in district court. OSS may elect to become a party to the proceedings. This section provides various procedural steps on service of process and obtaining a hearing.

Section 9 describes the classification of data submitted as part of this process. Documents submitted by the parties are classified as nonpublic or private data on individuals. Final orders are public data, except that personal contact information will be redacted. If a filing is deemed fraudulent, the unredacted version (including personal information not authorized to be used) is private, but the redacted version is public. However, OSS may share this data for law enforcement investigations or if otherwise required by law.

Section 10 provides rulemaking authority. At this time, OSS does not believe it will be necessary to do rulemaking on this process, but rulemaking authority is included in case it becomes apparent that rules would be helpful. No rulemaking costs are included in this fiscal note.

Section 11 is a blank appropriation from the general fund.

Section 12 establishes an effective date of January 1, 2026, for this article.

Article 2, section 1 establishes a prohibition on deceptive business mailings. This section requires that if a nongovernment third party sends a solicitation to a business that notifies the business of an operating requirement (such as filing an annual renewal) or offers a service relating to filing or producing documents or reporting information to OSS, they must follow certain requirements so it is clear the information is not coming from OSS itself. For example, the solicitation must clearly state that it is not from a government agency, must provide information on where the person can go to file or retrieve the documents themselves, and must disclose the name and address of the company sending the solicitation.

Additionally, the overall design and language must not create the impression that the solicitation is an official government communication or imply that there is a legal duty to act on the solicitation. The solicitation cannot use the state seal or any other state logos or branding elements.

Article 3, sections 1-3 add cross-references to the Business Filing Fraud Prevention Act in Minn. Stat. Ch. 13 and 609.

Assumptions

Based on conversations with other states, OSS anticipates that several FTEs will be needed to implement Article 1. In Colorado, a state with a similar number of business filings, the Secretary of State processed over 1,800 complaints in approximately one year after implementing a similar process. Based on statistics from Colorado, we believe approximately 9% of submissions would be rejected, and 91% accepted and processed.

OSS anticipates that it will require seven FTEs to thoroughly and expeditiously review the complaints received by the Office.

- Two Customer Service Specialist - Intermediate. These staff would handle customer calls and emails with questions about the fraud and complaint process. We believe there would be approximately 1.5 customer contacts per complaint, plus additional contacts from individuals inquiring about business filing fraud in general and the complaint process. They would also receive complaints and review for completeness, assist with generating and mailing notice letters, and complete data entry in case tracking software.
- Two Customer Service Specialist - Senior: As needed, these staff would assist with the above tasks; they would also complete research on complaints during the first and second response phases, draft notice language, draft final orders, and redact documents and modify entries in the business filing database.
- One Customer Service Specialist - Principal: As needed, these staff would assist with the above tasks; they would also complete system reactions as part of the corrections process, meet with counsel to make complaint determinations, and assist other staff with drafting notices and orders for complex cases.
- One Research Analyst: As needed, this staff person would assist with the above tasks; they would also analyze system data to identify potential victims and trends and communicate with potential victims to alert them of possible fraud. This

would allow the Office to preemptively detect potential fraud and notify parties.

- One Staff Attorney 1: This staff person would provide legal analysis to make complaint determinations, assist with drafting documents in complex cases, and provide information to the Attorney General's Office, law enforcement, and other agencies to assist with investigations of underlying fraudulent activity.

Additionally, the office estimates it will mail the following items annually to both the complainant and filer:

- Rejection of the initial complaint: 162 (x2)
- Notice that a complaint has been made to approximately 1,638 (x2)
- Preliminary determination notices to 491 (x2)
- Final orders: 1,638 (x2)

Postage for these mailings will cost \$5,736.34 per year. Printing the documents to be mailed will cost approximately \$0.50 per piece, for a total of \$3,929.00 per year.

OSS anticipates that Articles 2 and 3 could be implemented with existing resources and no additional funding would be needed.

Expenditure and/or Revenue Formula

Total salary and fringe for 7 FTEs detailed above: \$580,767.15 per year

Preparing Notices:

Postage: 7,858 pieces of mail x \$.073/piece = \$5,736.34

Printing Materials: 7,858 pieces of mail x \$0.50/piece = \$3,929.00

1,000 hours IT staff time x \$100 = \$ 100,000

Long-Term Fiscal Considerations

The staff resources would be an ongoing expense, beginning in FY 2026. Ongoing maintenance costs will occur for the systems that are required to be developed as part of the legislation. The OSS estimates ongoing maintenance costs at 20% each year, representing \$20,000 of maintenance each year.

Local Fiscal Impact

N/A

References/Sources

Lauren Bethke

Agency Contact: Adam Hansen (651-201-6870)

Agency Fiscal Note Coordinator Signature: Adam Hansen

Phone: 651-201-6870

Date: 3/25/2025 8:56:58 AM

Email: adam.hansen@state.mn.us

SF1734 - 0 - Process for Removal of Fraud. Business Filing Est.

Chief Author: **Matt Klein**
 Committee: **State and Local Government**
 Date Completed: **3/26/2025 10:37:33 PM**
 Agency: **Administrative Hearings**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative.
 Reductions shown in the parentheses.

State Cost (Savings)		Biennium			Biennium	
Dollars in Thousands		FY2025	FY2026	FY2027	FY2028	FY2029
Total		-	-	-	-	-
Biennial Total				-		-

Full Time Equivalent Positions (FTE)		Biennium			Biennium	
		FY2025	FY2026	FY2027	FY2028	FY2029
Total		-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Shannon Zila **Date:** 3/26/2025 8:57:31 AM
Phone: 651-296-6053 **Email:** shannon.zila@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

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State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2025	FY2026	FY2027	FY2028	FY2029
	Total	-	-	-	-	-
	Biennial Total			-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
	Total	-	-	-	-	-
	Biennial Total			-		-
2 - Revenues, Transfers In*						
	Total	-	-	-	-	-
	Biennial Total			-		-

Bill Description

Article 1 creates the Minnesota Business Filing Fraud Prevention Act, which is a process for removing fraudulent or wrongful business filings by submitting a declaration of wrongful filing to the Secretary of State's office, who then reviews the declaration, notifies parties accordingly and issues an order on whether or not the filing is deemed fraudulent. Article 2 establishes a prohibition on deceptive business mailing practices for nongovernment third parties that mail or email solicitations regarding filing documents with or retrieving documents from the Office of the Secretary of State. Article 3 amends Minnesota Statutes, § 13.485 by adding a subdivision 7 that states government data related to investigations under sections 300.70 to 300.78 are governed by section 300.78.

Assumptions

The Office of Administrative Hearings (OAH) in consultation with Minnesota Management and Budget (MMB) assesses agencies the cost of services rendered to them. All agencies shall include in their budgets provisions for such assessments.

OAH notes that Article 1, Sec. 10, Rulemaking, authorizes the Secretary of State to adopt rules to carry out the provisions of this legislation. OAH has used the Secretary of State's assumption that rulemaking is not necessary at this time. Since Secretary of State assumes no rulemaking costs, there will be no fiscal impact for OAH.

OAH currently bills ALJ time for rulemaking at the MMB-approved billable rate of \$270 per hour (see Minn. Stat. § 16A.126, subd. 1 (2023)).

Expenditure and/or Revenue Formula

Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

Agency Contact: William Moore

Agency Fiscal Note Coordinator Signature: William Moore

Phone: 651-361-7893

Date: 3/25/2025 7:30:55 PM

Email: william.t.moore@state.mn.us

SF1734 - 0 - Process for Removal of Fraud. Business Filing Est.

Chief Author: **Matt Klein**
 Committee: **State and Local Government**
 Date Completed: **3/26/2025 10:37:33 PM**
 Agency: **Public Defense Board**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative.
 Reductions shown in the parentheses.

State Cost (Savings)		Biennium			Biennium	
Dollars in Thousands		FY2025	FY2026	FY2027	FY2028	FY2029
Total		-	-	-	-	-
Biennial Total				-		-

Full Time Equivalent Positions (FTE)		Biennium			Biennium	
		FY2025	FY2026	FY2027	FY2028	FY2029
Total		-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Susan Nelson **Date:** 3/17/2025 9:36:42 AM
Phone: 651-296-6054 **Email:** susan.nelson@lbo.mn.gov

State Cost (Savings) Calculation Details

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*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2025	FY2026	FY2027	FY2028	FY2029
Total		-	-	-	-	-
Biennial Total				-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Total		-	-	-	-	-
Biennial Total				-		-
2 - Revenues, Transfers In*						
Total		-	-	-	-	-
Biennial Total				-		-

Bill Description

The bill would establish a process for removing fraudulent business filings and regulate solicitations so as to not appear as a government document or from a government agency. Violation of the prohibitions on solicitations would be a misdemeanor.

Assumptions

It is not expected that the bill would generate additional work or caseloads.

Expenditure and/or Revenue Formula**Long-Term Fiscal Considerations****Local Fiscal Impact****References/Sources****Agency Contact:**

Agency Fiscal Note Coordinator Signature: Kevin Kajer

Phone: 612-279-3508

Date: 3/17/2025 9:24:02 AM

Email: Kevin.kajer@pubdef.state.mn.us

SF1734 - 0 - Process for Removal of Fraud. Business Filing Est.

Chief Author: **Matt Klein**
 Committee: **State and Local Government**
 Date Completed: **3/26/2025 10:37:33 PM**
 Agency: **Supreme Court**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

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Total		-	-	-	-	-
Biennial Total				-		-

Full Time Equivalent Positions (FTE)		Biennium			Biennium	
		FY2025	FY2026	FY2027	FY2028	FY2029
Total		-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Susan Nelson **Date:** 3/24/2025 8:25:29 PM
Phone: 651-296-6054 **Email:** susan.nelson@lbo.mn.gov

State Cost (Savings) Calculation Details

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	Total	-	-	-	-	-
	Biennial Total			-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
	Total	-	-	-	-	-
	Biennial Total			-		-
2 - Revenues, Transfers In*						
	Total	-	-	-	-	-
	Biennial Total			-		-

Bill Description

S.F. 1734-0 (the "bill") establishes a process for removing fraudulent business filings under the Minnesota Business Filing Fraud Prevention Act. Specifically, a complainant may deliver a declaration of wrongful filing to the Office of the Secretary of State if they believe a document filed under chapters 301 to 323A was not authorized and was filed with the intent to modify a business record or register a business using another person's information. The Office of the Secretary of State will provide a template for the declaration of wrongful filing for complainants to use.

The bill provides a false material statement of fact in a declaration of wrongful filing or any other document submitted under sections 300.70 to 300.78 is a violation of Minn. Stat. § 609.48 ("Perjury"). A violation of this section is a felony.

Section 8 of the bill establishes the process for judicial review for any party who is aggrieved by a final order under Minn. Stat. § 300.76. Specifically, the aggrieved party may appeal the order to the district court of the Minnesota county where the business that is the subject of the final order is registered or was registered before the business's dissolution. The court administrator is prohibited from requiring a filing fee. Any materials provided under this section that are filed with the court must be done so under restricted access unless the court orders otherwise, and any document submitted by a complainant or filer under sections 300.70 to 300.78 is classified as nonpublic or private data on individuals as defined in section 13.02.

A party may obtain a hearing at a special term of the district court. The court may consider the matter in or out of chambers.

A party aggrieved by the order of the district court may appeal the order to the Court of Appeals. The court administrator is prohibited from requiring a filing fee for an appeal to the Court of Appeals.

Sections 1 to 9 of the bill are effective for filings made on or after January 1, 2026.

Article 2 of the bill establishes Minn. Stat. § 300.80 to define deceptive business mailings and identify the requirements for solicitations sent by a nongovernmental third party to a business. A person who violates this section is guilty of a misdemeanor.

Article 3 of the bill amends Minn. Stat. § 13.485 by adding a subdivision to clarify government data related to investigations under sections 300.70 to 300.78 are governed by section 300.78.

Assumptions

It is unclear what the term "restricted access" means under this bill. The Minnesota Judicial Branch is not governed by chapter 13. Minn. Stat. § 13.90. It is assumed that any nonpublic judicial branch data will maintain its nonpublic status consistent with the Rules of Access to Records of the Judicial Branch and Minn. Stat. § 13.03, subd. 4(e). It is assumed

that the court will follow all standard procedures for maintaining public records and hearings as consistent with applicable court rules and statutes.

Although the potential case filing rates for criminal cases is unknown, it is assumed that case filings would be comparable to criminal case filings under Minn. Stat. § 609.48 over the last 5 years, or an average of 15 charges filed per year, and would not require any additional staff to process. (FY20: 25; FY21: 11; FY22: 19; FY23: 11; FY24: 11).

It is assumed the court will not collect an initial filing fee from any party for an appeal to district court (\$285) or the Court of Appeals (\$550) under this bill.

The potential case filing rates for civil cases in district court and appeals to the court of appeals under the provisions of this bill are unknown and cannot be estimated. Accordingly, the anticipated filing fee revenue impact is unknown.

Expenditure and/or Revenue Formula

The bill is not anticipated to have a significant fiscal impact on the judicial branch.

Long-Term Fiscal Considerations

None

Local Fiscal Impact

References/Sources

Agency Contact:

Agency Fiscal Note Coordinator Signature: Callie Lehman

Phone: 651-297-7579

Date: 3/24/2025 4:17:38 PM

Email: callie.lehman@courts.state.mn.us