

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7317

BILL NUMBER: SB 408

NOTE PREPARED: Feb 3, 2015

BILL AMENDED: Feb 3, 2015

SUBJECT: Real Estate Brokers and Broker Companies.

FIRST AUTHOR: Sen. Merritt

FIRST SPONSOR:

BILL STATUS: 2nd Reading - 1st House

**FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL**

IMPACT: State

Summary of Legislation: (Amended) *Definition of 'Broker Company'*- The bill defines "broker company" as a partnership, limited liability company, corporation, or individual acting as a sole proprietorship that is licensed as a broker and, for consideration, undertakes or offers to undertake certain activities with respect to real estate.

Obtaining Broker License- The bill provides that an individual, to obtain a broker license, must associate with a broker company (instead of with a managing broker).

Managing Brokers- The bill provides that a partnership, a limited liability company, or a corporation, to obtain a broker license, must include a licensed broker who qualifies as a managing broker. The bill defines "managing broker" as an individual who is a broker and whom the Indiana Real Estate Commission (IREC) holds responsible for the actions of the licensees affiliated with the broker company. The bill provides that an individual, to become a managing broker, must have held an active broker's license for at least two years.

Broker Courses- The bill requires a person conducting a broker course to have a permit issued by the IREC.

Definition of 'In-house Agency Relationship'- The bill defines "in-house agency relationship" as an agency relationship involving two or more clients who are represented by different licensees within the same broker company. The bill provides that, in an in-house agency relationship, an individual licensee affiliated with a broker company represents only the client with whom the licensee is working.

Continuing Education- The bill requires a broker to complete at least eight hours of approved continuing education per year (instead of 12 hours) but requires a broker to complete at least 36 hours of approved

continuing education per three-year cycle.

Additional Provisions- The bill makes additional changes concerning brokers and broker companies and corresponding changes in current law.

Effective Date: July 1, 2014 (retroactive); July 1, 2015.

Explanation of State Expenditures: *Summary-* The Professional Licensing Agency (PLA) could require additional administrative time to implement the changes required by the bill. Under current law, license holders are responsible for remaining up-to-date with changes to their professions. The PLA also emails affected license holders to notify them of statutory changes and provide a web link to the changed statutes. The PLA may also update their website pertaining to real estate brokers of the changes within the bill. Additionally, professional associations usually notify their members of recent statutory changes.

(Revised) *Additional Provisions-* The PLA estimates that the bill's proposed changes to out-of-state license holder requirements could lead to an increase of approximately 250 real estate broker license applications per year. It is likely, that the PLA would be able to process the additional licenses within their existing level of resources.

Explanation of State Revenues: (Revised) *Summary-* With the exception of out-of-state broker licenses, it is indeterminable whether the bill's other proposed changes would impact the number of broker license applicants and application fees collected in future state fiscal years.

Continuing Education- This provision would not change the amount of course hours a managing broker would have to complete within a three-year renewal cycle. The minimum number of hours per year would be reduced by four hours, as long as the managing broker completes 36 hours within three years. This provision would not likely affect the number of persons applying for a renewal of a managing broker license.

(Revised) *Grandfather Provision for Managing Brokers-* This provision would grandfather existing principal brokers and designated individual brokers in a real estate partnership, corporation, or LLC as of June 30, 2014, as a managing broker.

(Revised) *Additional Provisions-* If 250 additional out-of-state broker licenses were processed per year, the fees collected could generate an additional \$12,500 in revenue to the state General Fund.

Additional Information- The following table lists FY 2014 licensing statistics for real estate broker licenses.

License Status Counts for Principal Brokers and Broker Companies FY 2014 (as of 6/30/2014)	
<u>License Type</u>	<u>Count</u>
Active	Broker Company - 1,919 Principal Broker - 24,196
Inactive	Principal Broker - 3,191
Initial Issue	Broker Company - 274 Principal Broker - 8,785
Non-Renewed	Broker Company - 800 Principal Broker - 2,854
Renewals	Broker Company - 1,705 Principal Broker - 20,332

Total revenue from all Real Estate licenses was \$1.3 M in FY 2014.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Professional Licensing Agency, Real Estate Commission.

Local Agencies Affected:

Information Sources: Nick Goodwin, Legislative Director, Professional Licensing Agency, *Indiana Handbook of Taxes, Revenues, and Appropriations FY 2014*.

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