

JAN 22 2016

A BILL FOR AN ACT

RELATING TO LOW-PROFIT LIMITED LIABILITY COMPANIES.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that corporate entities
2 are increasingly interested in becoming better corporate
3 citizens. Similarly, non-profit corporations are considering
4 quasi-business operations to provide beneficial goods and
5 services that may not generate a return attractive enough for a
6 for-profit corporation, yet will contribute to a non-profit
7 revenue portfolio. In making these business decisions, for-
8 profit companies may consider shareholder interests that may not
9 be aligned with those of the general community. Non-profit
10 corporations, in their deliberations in new ventures, may have
11 to consider mission alignment and jeopardizing their tax-exempt
12 status when earning revenue.

13 The purpose of this Act is to introduce a new corporate
14 form that will allow an entity to generate revenue without a
15 singular profit motive, while cementing the social outcome in
16 the business model. This additional corporate format is meant
17 to encourage entrepreneurship by socially-oriented business



1 leaders and intrapreneurship in established corporations, both
2 for- and non-profit, that may differ from the company's overall
3 business strategy.

4 SECTION 2. Section 428-101, Hawaii Revised Statutes, is
5 amended by adding a new definition to be appropriately inserted
6 and to read as follows:

7 "L3C" or "low-profit limited liability company" means a
8 person organized under this chapter that is organized for a
9 business purpose that satisfies and is at all times operated to
10 satisfy each of the following requirements:

11 (1) The company:

12 (A) Significantly furthers the accomplishment of one
13 or more charitable or educational purposes within
14 the meaning of section 170(c)(2)(B) of the
15 Internal Revenue Code of 1986, 26 United States
16 Code section 170(c)(2)(B); and

17 (B) Would not have been formed but for the company's
18 relationship to the accomplishment of charitable
19 or educational purposes;

20 (2) No significant purpose of the company is the
21 production of income or the appreciation of property;



1 provided that the fact that a person produces
2 significant income or capital appreciation, in the
3 absence of other factors, shall not be conclusive
4 evidence of a significant purpose involving the
5 production of income or the appreciation of property;

6 (3) No purpose of the company is to accomplish one or more
7 political or legislative purposes within the meaning
8 of section 170(c)(2)(D) of the Internal Revenue Code
9 of 1986, 26 United States Code section 170(c)(2)(D);
10 and

11 (4) If a company that met the definition of "low-profit
12 limited liability company" at its formation at any
13 time ceases to satisfy any one of the requirements, it
14 shall immediately cease to be a low-profit limited
15 liability company, but by continuing to meet all the
16 other requirements of this chapter, shall continue to
17 exist as a limited liability company. The name of the
18 company shall be changed to be in conformance with
19 section 428-105."

20 SECTION 3. Section 428-105, Hawaii Revised Statutes, is
21 amended by amending subsection (a) to read as follows:



1 "(a) [~~The~~] Except for low-profit limited liability
2 companies, the name of a limited liability company [must] shall
3 contain the words "limited liability company" or the
4 abbreviation "L.L.C." or "LLC". "Limited" may be abbreviated as
5 "Ltd.", and "company" may be abbreviated as "Co.". The letters
6 in the name of a limited liability company must be letters of
7 the English alphabet. The name of a low-profit limited
8 liability company shall contain the abbreviation "L3C" or
9 "l3c"."

10 SECTION 4. Statutory material to be repealed is bracketed
11 and stricken. New statutory material is underscored.

12 SECTION 5. This Act shall take effect upon its approval.

13

INTRODUCED BY: _____

[Handwritten signatures]
Michael S. ...
Kevin R. ...
Paul ...
Donnell ...



S.B. NO. 2505

Report Title:

Low-Profit Limited Liability Company

Description:

Provides for the creation of low-profit limited liability companies under the uniform limited liability company act.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

