

JAN 22 2021

A BILL FOR AN ACT

RELATING TO BUSINESS REGISTRATION.

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

1 SECTION 1. The legislature finds that certificates of good
2 standing are frequently used to verify the status of a business
3 entity and, to many, can suggest that the State has engaged in a
4 more thorough review of compliance with other entities or
5 regulations than what actually occurs when such certificates are
6 issued, whereas certificates of vendor compliance certify
7 compliance with multiple agencies, including the Internal
8 Revenue Service, department of labor and industrial relations,
9 department of commerce and consumer affairs, and the department
10 of taxation.

11 Accordingly, to ensure that the State and counties are
12 engaging in business and entering into agreements with entities
13 that have the financial ability and business integrity necessary
14 to perform duties under those agreements, the purpose of this
15 Act is to prohibit the director of the department of commerce
16 and consumer affairs from issuing a certificate of good standing



1 to any entity unless the entity has submitted a certificate of
2 vendor compliance as part of its annual reporting requirements.

3 SECTION 2. Chapter 414, Hawaii Revised Statutes, is
4 amended by adding a new section to be appropriately designated
5 and to read as follows:

6 "§414- Certificates of good standing; compliance
7 requirements. The department director shall not issue a
8 certificate of good standing to any entity unless the entity has
9 submitted a certificate of vendor compliance with its annual
10 report, as required pursuant to section 414-472."

11 SECTION 3. Chapter 414D, Hawaii Revised Statutes, is
12 amended by adding a new section to be appropriately designated
13 and to read as follows:

14 "§414D- Certificates of good standing; compliance
15 requirements. The department director shall not issue a
16 certificate of good standing to any entity unless the entity has
17 submitted a certificate of vendor compliance with its annual
18 report, as required pursuant to section 414D-308."

19 SECTION 4. Chapter 415A, Hawaii Revised Statutes, is
20 amended by adding a new section to be appropriately designated
21 and to read as follows:



1 "§415A- Certificates of good standing; compliance
2 requirements. The department director shall not issue a
3 certificate of good standing to any entity unless the entity has
4 submitted a certificate of vendor compliance with its annual
5 report, as required pursuant to section 415A-22."

6 SECTION 5. Chapter 425, Hawaii Revised Statutes, is
7 amended by adding a new section to be appropriately designated
8 and to read as follows:

9 "§425- Certificates of good standing; compliance
10 requirements. The department director shall not issue a
11 certificate of good standing to any entity unless the entity has
12 submitted a certificate of vendor compliance with its annual
13 statement or report, as applicable and required pursuant to
14 sections 425-1 or 425-163."

15 SECTION 6. Chapter 428, Hawaii Revised Statutes, is
16 amended by adding a new section to be appropriately designated
17 and to read as follows:

18 "§428- Certificates of good standing; compliance
19 requirements. The department director shall not issue a
20 certificate of good standing to any entity unless the entity has



1 submitted a certificate of vendor compliance with its annual
2 report, as required pursuant to section 428-210."

3 SECTION 7. Section 414-472, Hawaii Revised Statutes, is
4 amended by amending subsection (a) to read as follows:

5 "(a) Each domestic corporation, and each foreign
6 corporation authorized to transact business in this State, shall
7 deliver to the department director for filing an annual report
8 that sets forth:

9 (1) The name of the corporation and the state or country
10 under whose law it is incorporated;

11 (2) The mailing address of its principal office and the
12 information required by section 425R-4(a);

13 (3) The names and business addresses of its directors and
14 officers; and

15 (4) A brief description of the nature of its business.

16 Domestic corporations shall also provide the total number of
17 authorized shares, itemized by class and series, if any, within
18 each class, and the total number of issued and outstanding
19 shares, itemized by class and series, if any, within each class.

20 The annual report shall be accompanied by a certificate of
21 vendor compliance that certifies compliance with the Internal



1 Revenue Service, department of labor and industrial relations,
2 department of commerce and consumer affairs, and the department
3 of taxation."

4 SECTION 8. Section 414D-308, Hawaii Revised Statutes, is
5 amended by amending subsection (a) to read as follows:

6 "(a) Each domestic corporation, and each foreign
7 corporation authorized to transact business in the State, shall
8 deliver to the department director an annual report on a form
9 prescribed and furnished by the department director that sets
10 forth:

- 11 (1) The name of the corporation and the jurisdiction under
- 12 whose law it is incorporated;
- 13 (2) The mailing address of its principal office and the
- 14 information required by section 425R-4(a);
- 15 (3) The names and addresses of its directors and officers;
- 16 and
- 17 (4) A brief description of the nature of its activities.

18 The annual report shall be accompanied by a certificate of
19 vendor compliance that certifies compliance with the Internal
20 Revenue Service, department of labor and industrial relations,



1 department of commerce and consumer affairs, and the department
2 of taxation."

3 SECTION 9. Section 415A-22, Hawaii Revised Statutes, is
4 amended by amending subsection (a) to read as follows:

5 "(a) The annual report of each professional corporation
6 shall be delivered to the director for filing and shall set
7 forth:

8 (1) The name of the corporation;

9 (2) The profession or professions that it is or are
10 actually engaged in;

11 (3) The mailing address of its principal office, the
12 street address of its registered office in this State,
13 and the name of its registered agent at its registered
14 office in the State;

15 (4) The names and addresses of the directors and officers
16 of the corporation;

17 (5) A statement of the aggregate number of shares which
18 the corporation has authority to issue, itemized by
19 classes, if any;

20 (6) A statement of the aggregate number of shares issued
21 by the corporation, itemized by classes, if any; and



1 (7) A statement that all of the shareholders, not less
2 than one-half of the directors, and all of the
3 officers other than the secretary and treasurer of the
4 corporation are qualified persons with respect to the
5 corporation.

6 The annual report shall be accompanied by a certificate of
7 vendor compliance that certifies compliance with the Internal
8 Revenue Service, department of labor and industrial relations,
9 department of commerce and consumer affairs, and the department
10 of taxation."

11 SECTION 10. Section 425-1, Hawaii Revised Statutes, is
12 amended by amending subsection (b) to read as follows:

13 "(b) Every domestic and foreign partnership shall file an
14 annual statement with the director ~~[which]~~ that shall contain
15 the information specified in subsection (a)(1), (2), (3), and
16 (5) and a listing of the names of any partner admitted,
17 withdrawn, or who has died during the year; provided that the
18 information provided to satisfy the requirements of subsection
19 (a)(3) shall be current. A domestic or foreign partnership that
20 has filed with the department director a statement of
21 qualification or statement of foreign qualification to register



1 as a limited liability partnership or foreign limited liability
2 partnership shall file the annual report prescribed in section
3 425-163 in lieu of the annual statement required in this
4 section. The annual statement shall be filed within the time
5 periods prescribed in subsections (c) and (d) [-] and shall be
6 accompanied by a certificate of vendor compliance that certifies
7 compliance with the Internal Revenue Service, department of
8 labor and industrial relations, department of commerce and
9 consumer affairs, and the department of taxation."

10 SECTION 11. Section 425-163, Hawaii Revised Statutes, is
11 amended by amending subsection (a) to read as follows:

12 "(a) Every limited liability partnership and foreign
13 limited liability partnership authorized to transact business in
14 this State shall file an annual report in the office of the
15 director that contains:

- 16 (1) The name of the limited liability partnership or
17 foreign limited liability partnership;
- 18 (2) The mailing address of the partnership's principal
19 office and the information required by section
20 425R-4(a); provided that if the partnership is formed



1 under the laws of any other jurisdiction, the name of
2 the other jurisdiction shall also be specified;

3 (3) The name and address of each partner; and

4 (4) The fact that none of the partners is either a minor
5 or an incompetent person.

6 The annual report shall be accompanied by a certificate of
7 vendor compliance that certifies compliance with the Internal
8 Revenue Service, department of labor and industrial relations,
9 department of commerce and consumer affairs, and the department
10 of taxation."

11 SECTION 12. Section 428-210, Hawaii Revised Statutes, is
12 amended by amending subsection (a) to read as follows:

13 "(a) Each limited liability company and each foreign
14 limited liability company authorized to transact business in
15 this State shall deliver to the director for filing an annual
16 report that sets forth:

17 (1) The name of the company and the jurisdiction under
18 whose law it is organized;

19 (2) The mailing address of the company's principal office
20 and the information required by section 425R-4(a); and

21 (3) Whether the company is manager-managed, and:



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1 (A) If so, the name and address of each manager, and
2 the number of members; or

3 (B) If not, the name and address of each member.

4 The annual report shall be accompanied by a certificate of
5 vendor compliance that certifies compliance with the Internal
6 Revenue Service, department of labor and industrial relations,
7 department of commerce and consumer affairs, and the department
8 of taxation."

9 SECTION 13. Statutory material to be repealed is bracketed
10 and stricken. New statutory material is underscored.

11 SECTION 14. This Act shall take effect on July 1, 2021.

12

INTRODUCED BY:

Karl Rhoads (B/R)



S.B. NO. 525

Report Title:

Business Registrations; Corporations; Nonprofit Corporations; Professional Corporations; Partnerships; Limited Liability Companies; Certificates of Good Standing; Annual Reports; Certificates of Vendor Compliance

Description:

Prohibits the Director of the Department of Commerce and Consumer Affairs from issuing certificates of good standing unless the entity has submitted a certificate of vendor compliance with its annual report certifies compliance with the Internal Revenue Service, Department of Labor and Industrial Relations, Department of Commerce and Consumer Affairs, and the Department of Taxation. Requires entities to submit certificates of vendor compliance as part of their annual reporting requirements.

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

