
A BILL FOR AN ACT

RELATING TO THE POWERS OF ARTIFICIAL PERSONS.

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

PART I

SECTION 1. The legislature finds that all political power in the State of Hawaii is inherent in the people, and that the creation of a corporation or other artificial legal entity is a privilege granted by the State, not a natural right. Under article I, section 21, of the Hawaii State Constitution, the State's power to act in the general welfare cannot be impaired by any irrevocable granting of special privileges or immunities, therefore the legislature retains full authority to redefine or withdraw any corporate or entity powers that the State has conferred.

The legislature further finds that judicial decisions of the United States Supreme Court recognize that the State possesses plenary authority to determine the powers and capacities of the artificial persons it creates. This Act exercises that authority to restate and limit the powers that



1 the State grants to corporations, limited liability companies,
2 partnerships, associations, and other artificial persons.

3 The legislature further finds that existing laws have
4 historically included broad grants of corporate powers, such as
5 the State's provision authorizing corporations, under section
6 414-42, Hawaii Revised Statutes, to have "the same powers as an
7 individual to do all things necessary or convenient to carry out
8 their business and affairs." The United States Supreme Court
9 has interpreted such broad grants of power to include powers to
10 make expenditures in connection with elections and ballot
11 measures and has recognized constitutional rights attaching to
12 the exercise of those powers. The legislature declares that
13 such political-spending powers were never intended to be among
14 the powers granted to corporations or other artificial persons
15 by the State. The purpose of this Act is to make that intent
16 explicit and to define the lawful powers of artificial persons
17 accordingly.

18 The legislature declares that the powers conferred on an
19 artificial person are separate and distinct from the rights
20 retained by natural persons. This Act does not regulate speech,
21 petition, or association by any natural person. It simply



1 defines and limits the powers that the State confers upon the
2 artificial entities it charters or authorizes to do business.

3 The purpose of this Act is to:

4 (1) Reaffirm that artificial persons created under state
5 law possess only those powers that are necessary or
6 convenient to carry out lawful business or charitable
7 or organizational purposes, and that such powers do
8 not include the power to spend money or anything of
9 value to influence elections or ballot measures; and

10 (2) Revoke all prior grants of corporate and entity powers
11 and regrant only those powers that the State
12 determines to be necessary or convenient to conduct
13 lawful purposes under the Hawaii State Constitution
14 and laws of the State.

15 PART II

16 SECTION 2. Section 414-3, Hawaii Revised Statutes, is
17 amended by adding four new definitions to be appropriately
18 inserted and to read as follows:

19 ""Artificial-person powers" means the same powers as an
20 individual to do all things necessary or convenient to carry out
21 the corporation's lawful business and affairs. "Artificial-



1 person powers" does not include powers related to election
2 activity or ballot-issue activity.

3 "Ballot-issue activity" means paying, contributing, or
4 expending money or anything of value to support or oppose a
5 constitutional amendment, county charter amendment, or other
6 question once it has been submitted to the electors of the State
7 or any county. "Ballot-issue activity" does not include any
8 bona fide news story, commentary, or editorial distributed
9 through the facilities of a broadcasting station or of any
10 print, online, or digital newspaper, magazine, blog, or other
11 periodical publication, unless the broadcasting, print, online,
12 or digital facility is owned or controlled by a political party,
13 political committee, or candidate.

14 "Charter privilege" means any benefit that exists only
15 because the State confers it on a corporation or other entity,
16 including, without limitation, limited liability, perpetual
17 duration, succession in the corporate name, business or
18 statutory trusts, and tax credits or abatements.

19 "Election activity" means paying, contributing, or
20 expending money or anything of value to support or oppose a
21 candidate, political party, or political committee. "Election



1 activity" does not include any bona fide news story, commentary,
2 or editorial distributed through the facilities of a
3 broadcasting station or of any print, online, or digital
4 newspaper, magazine, blog, or other periodical publication,
5 unless the broadcasting, print, online, or digital facility is
6 owned or controlled by a political party, political committee,
7 or candidate."

8 SECTION 3. Section 414-41, Hawaii Revised Statutes, is
9 amended by amending subsection (a) to read as follows:

10 "(a) Every corporation incorporated under this chapter has
11 the purpose of engaging in any lawful business, except for any
12 election activity or ballot-issue activity, unless a more
13 limited purpose is set forth in the articles of incorporation.
14 Under no circumstances shall any power or activity related to
15 election activity or ballot-issue activity be deemed necessary
16 or convenient for a lawful business purpose."

17 SECTION 4. Section 414-42, Hawaii Revised Statutes, is
18 amended to read as follows:

19 "[~~§~~414-42~~§~~] **General powers.** [~~Unless its articles of~~
20 ~~incorporation provide otherwise, every corporation has perpetual~~
21 ~~duration and succession in its corporate name and has the same~~



~~powers as an individual to do all things necessary or convenient to carry out its business and affairs, including without limitation, the power:]~~ (a) The creation and continued existence of a corporation is not a right but a conditional grant of legal status by the State and remains subject to complete withdrawal at any time. As of the effective date of this Act, all powers previously granted to corporations under the laws of this State are revoked in their entirety. A corporation operating under the jurisdiction of this State shall possess no power unless specifically granted by this section.

(b) Unless its articles of incorporation provide otherwise, every corporation has perpetual duration and succession in its corporate name and is hereby granted artificial-person powers, including without limitation the power:

(1) To sue and be sued, complain and defend in its corporate name;

(2) To have a corporate seal, which may be altered at will, and to use it, or a facsimile of it, by impressing or affixing it or in any other manner reproducing it;



1 (3) To make and amend bylaws, not inconsistent with its
2 articles of incorporation or with the laws of this
3 State, for managing the business and regulating the
4 affairs of the corporation;

5 (4) To purchase, receive, lease, or otherwise acquire, and
6 own, hold, improve, use, and otherwise deal with, real
7 or personal property, or any legal or equitable
8 interest in property, wherever located;

9 (5) To sell, convey, mortgage, pledge, lease, exchange,
10 and otherwise dispose of all or any part of its
11 property;

12 (6) To purchase, receive, subscribe for, or otherwise
13 acquire; own, hold, vote, use, sell, mortgage, lend,
14 pledge, or otherwise dispose of; and deal in and with
15 shares or other interests in, or obligations of, any
16 other entity;

17 (7) To make contracts and guarantees, incur liabilities,
18 borrow money, issue its notes, bonds, and other
19 obligations (which may be convertible into or include
20 the option to purchase other securities of the
21 corporation), and secure any of its obligations by



1 mortgage or pledge of any of its property, franchises,
2 or income;

3 (8) To lend money, invest and reinvest its funds, and
4 receive and hold real and personal property as
5 security for repayment;

6 (9) To be a promoter, partner, member, associate, or
7 manager of any partnership, joint venture, trust, or
8 other entity;

9 (10) To conduct its business, locate offices, and exercise
10 the powers granted by this chapter within or without
11 this State;

12 (11) To elect directors and appoint officers, employees,
13 and agents of the corporation, define their duties,
14 fix their compensation, and lend them money and
15 credit;

16 (12) To pay pensions and establish pension plans, pension
17 trusts, profit sharing plans, share bonus plans, share
18 option plans, and benefit or incentive plans for any
19 or all of its current or former directors, officers,
20 employees, and agents;



1 (13) To make donations for the public welfare or for
2 charitable, scientific, or educational purposes;

3 (14) To transact any lawful business that will aid
4 governmental policy; and

5 (15) To make payments or donations, or do any other act,
6 not inconsistent with law, that furthers the business
7 and affairs of the corporation.

8 (c) Any provision of the articles of incorporation,
9 bylaws, or other organizational documents purporting to grant or
10 confer any power to engage in election activity or ballot-issue
11 activity, directly or indirectly, is void.

12 (d) Any act undertaken by a corporation that constitutes
13 election activity or ballot-issue activity is ultra vires and
14 void. A corporation that exercises any power that is not
15 granted under subsection (b) forfeits all charter privileges,
16 including limited liability and perpetual duration, as a matter
17 of law. The director of commerce and consumer affairs shall
18 adopt rules for administrative forfeiture, reinstatement upon
19 disgorgement and certification of compliance, and related civil
20 enforcement.



1 (e) A foreign corporation that is authorized to transact
2 business, is otherwise transacting business, or holds property
3 in this State is subject to this section. A foreign corporation
4 that directly or indirectly undertakes, finances, or directs
5 election activity or ballot-issue activity in the State shall be
6 deemed to be transacting business in this State."

7 SECTION 5. Section 414-44, Hawaii Revised Statutes, is
8 amended to read as follows:

9 "~~{}~~**\$414-44**~~{}~~ **Ultra vires.** (a) Except as provided in
10 subsection (b), the validity of corporate action may not be
11 challenged on the ground that the corporation lacks or lacked
12 power to act.

13 (b) A corporation's power to act may be challenged:

14 (1) In a proceeding by a shareholder against the
15 corporation to enjoin the act;

16 (2) In a proceeding by the corporation, directly,
17 derivatively, or through a receiver, trustee, or other
18 legal representative, against an incumbent or former
19 director, officer, employee, or agent of the
20 corporation; or



1 (3) In a proceeding by the attorney general under section
2 414-411.

3 (c) In a shareholder's proceeding under subsection (b) (1)
4 to enjoin an unauthorized corporate act, the court may enjoin or
5 set aside the act, if equitable and if all affected persons are
6 parties to the proceeding, and may award damages for loss (other
7 than anticipated profits) suffered by the corporation or another
8 party because of enjoining the unauthorized act.

9 (d) This section does not apply to acts that constitute
10 election activity or ballot-issue activity. Any such act is
11 ultra vires and void under section 414-42(d) and may be
12 addressed in proceedings authorized by that section or by the
13 attorney general under section 414-411."

14 PART III

15 SECTION 6. Section 414D-14, Hawaii Revised Statutes, is
16 amended by adding four new definitions to be appropriately
17 inserted and to read as follows:

18 "Artificial-person powers" means the same powers as an
19 individual to do all things necessary or convenient to carry out
20 the corporation's lawful business and affairs. "Artificial-



1 person powers" does not include powers related to election
2 activity or ballot-issue activity.

3 "Ballot-issue activity" means paying, contributing, or
4 expending money or anything of value to support or oppose a
5 constitutional amendment, county charter amendment, or other
6 question after it has been formally certified or submitted to
7 the electors of the State or any county. "Ballot-issue
8 activity" does not include any bona fide news story, commentary,
9 or editorial distributed through the facilities of a
10 broadcasting station or of any print, online, or digital
11 newspaper, magazine, blog, or other periodical publication,
12 unless the broadcasting, print, online, or digital facility is
13 owned or controlled by a political party, political committee,
14 or candidate.

15 "Charter privilege" means any benefit that exists only
16 because the State confers it on a corporation or other entity,
17 including, without limitation, limited liability, perpetual
18 duration, succession in the corporate name, business or
19 statutory trusts, and tax credits or abatements.

20 "Election activity" means paying, contributing, or
21 expending money or anything of value to support or oppose a



1 candidate, political party, or political committee. "Election
2 activity" does not include any bona fide news story, commentary,
3 or editorial distributed through the facilities of a
4 broadcasting station or of any print, online, or digital
5 newspaper, magazine, blog, or other periodical publication,
6 unless the broadcasting, print, online, or digital facility is
7 owned or controlled by a political party, political committee,
8 or candidate."

9 SECTION 7. Section 414D-51, Hawaii Revised Statutes, is
10 amended by amending subsection (a) to read as follows:

11 "(a) Every corporation incorporated under this chapter has
12 the purpose of engaging in any lawful charitable or public-
13 benefit activity, except for any election activity or ballot-
14 issue activity, unless a more limited purpose is set forth in
15 the articles of incorporation."

16 SECTION 8. Section 414D-52, Hawaii Revised Statutes, is
17 amended to read as follows:

18 "[~~§~~414D-52~~§~~] **General powers.** [~~Unless its articles of~~
19 ~~incorporation provide otherwise, every corporation has perpetual~~
20 ~~duration and succession in its corporate name and has the same~~
21 ~~powers as an individual to do all things necessary or convenient~~



1 ~~to carry out its affairs including, without limitation, the~~
2 ~~power:]~~ (a) The creation and continued existence of a nonprofit
3 corporation is not a right but a conditional grant of legal
4 status by the State and remains subject to complete withdrawal
5 at any time. As of the effective date of this Act, all powers
6 previously granted to nonprofit corporations under the laws of
7 this State are revoked in their entirety. A nonprofit
8 corporation operating under the jurisdiction of this State shall
9 possess no power unless specifically granted by this section.

10 (b) Unless its articles of incorporation provide
11 otherwise, every corporation has perpetual duration and
12 succession in its corporate name and is hereby granted
13 artificial-person powers, including without limitation the
14 power:

- 15 (1) To sue and be sued, complain, and defend in its
16 corporate name;
- 17 (2) To have a corporate seal, which may be altered at
18 will, and to use it, or a facsimile of it, by
19 impressing or affixing or in any other manner
20 reproducing it;



1 (3) To make and amend bylaws, not inconsistent with its
2 articles of incorporation or with the laws of the
3 State, for regulating and managing the affairs of the
4 corporation;

5 (4) To purchase, receive, lease, or otherwise acquire, and
6 own, hold, improve, use, and otherwise deal with, real
7 or personal property, or any legal or equitable
8 interest in property, wherever located;

9 (5) To sell, convey, mortgage, pledge, lease, exchange,
10 and otherwise dispose of all or any part of its
11 property;

12 (6) To purchase, receive, subscribe for, or otherwise
13 acquire, own, hold, vote, use, sell, mortgage, lend,
14 pledge, or otherwise dispose of, and deal in and with,
15 shares or other interests in, or obligations of any
16 entity;

17 (7) To make contracts and guaranties, incur liabilities,
18 borrow money, issue notes, bonds, and other
19 obligations, and secure any of its obligations by
20 mortgage or pledge of any of its property, franchises,
21 or income;



- 1 (8) To lend money, invest and reinvest its funds, and
2 receive and hold real and personal property as
3 security for repayment, except as limited by section
4 414D-151;
- 5 (9) To be a promoter, partner, member, associate, or
6 manager of any partnership, joint venture, trust, or
7 other entity;
- 8 (10) To conduct its activities, locate offices, and
9 exercise the powers granted by this chapter within or
10 without this State;
- 11 (11) To elect or appoint directors, officers, employees,
12 and agents of the corporation, define their duties,
13 and fix their compensation;
- 14 (12) To pay pensions and establish pension plans, pension
15 trusts, and other benefit and incentive plans for any
16 or all of its current or former directors, officers,
17 employees, and agents;
- 18 (13) To make donations not inconsistent with law for the
19 public welfare or for charitable, religious,
20 scientific, or educational purposes, and for other
21 purposes that further the corporate interest;



1 (14) To impose dues, assessments, admission, and transfer
2 fees upon its members;

3 (15) To establish conditions for admission of members,
4 admit members, and issue memberships;

5 (16) To carry on a business;

6 (17) To do all things necessary or convenient, not
7 inconsistent with law, to further the activities and
8 affairs of the corporation.

9 (c) Noncandidate committees, as defined in section 11-302
10 or under federal law, are entities created for the purpose of
11 engaging in election activity and ballot-issue activity.

12 Noncandidate committees may engage in election activity and
13 ballot-issue activity; provided that these committees exist
14 solely for those purposes and claim no charter privilege other
15 than limited liability. No other nonprofit corporation
16 organized under this chapter may be granted or exercise any
17 power to engage in election activity or ballot-issue activity.

18 (d) Any provision of the articles, bylaws, or other
19 organizational documents purporting to grant or confer any power
20 to engage in election activity or ballot-issue activity,
21 directly or indirectly, is void.



1 (e) Any act undertaken by a nonprofit corporation that
2 constitutes election activity or ballot-issue activity is ultra
3 vires and void. A nonprofit corporation that exercises any
4 power not granted under subsection (b) shall forfeit all charter
5 privileges, including limited liability and perpetual duration,
6 as a matter of law. The director of commerce and consumer
7 affairs shall adopt rules for administrative forfeiture,
8 reinstatement upon disgorgement and certification of compliance,
9 and related civil enforcement.

10 (f) A foreign nonprofit corporation that is authorized to
11 transact business, is otherwise transacting business, or holds
12 property in this State is subject to this section. A foreign
13 nonprofit that directly or indirectly undertakes, finances, or
14 directs election activity or ballot-issue activity in the State
15 shall be conclusively deemed to be transacting business in this
16 State."

17 SECTION 9. Section 414D-54, Hawaii Revised Statutes, is
18 amended to read as follows:

19 **"§414D-54 Ultra vires.** (a) Except as provided in
20 subsection (b), the validity of corporate action may not be



1 challenged on the ground that the corporation lacks or lacked
2 power to act.

3 (b) A corporation's power to act may be challenged in a
4 proceeding against the corporation to enjoin an act where a
5 third party has not acquired rights. The proceeding may be
6 brought by the attorney general, a director, or by a member or
7 members in a derivative proceeding.

8 (c) A corporation's power to act may be challenged in a
9 proceeding against an incumbent or former director, officer,
10 employee, or agent of the corporation. The proceeding may be
11 brought by a director, the corporation, directly, derivatively,
12 or through a receiver, a trustee, or other legal representative,
13 or in the case of a public benefit corporation, by the attorney
14 general.

15 (d) This section does not apply to acts that constitute
16 election activity or ballot-issue activity. Any such act is
17 ultra vires and void under section 414D-52(e) and may be
18 addressed in proceedings authorized by that section or by the
19 attorney general under section 414D-252."

20 PART IV



1 SECTION 10. Section 428-101, Hawaii Revised Statutes, is
2 amended by adding four new definitions to be appropriately
3 inserted and to read as follows:

4 "Artificial-person powers" means the same powers as an
5 individual to do all things necessary or convenient to carry out
6 the corporation's lawful business and affairs. "Artificial-
7 person powers" does not include powers related to election
8 activity or ballot-issue activity.

9 "Ballot-issue activity" means paying, contributing, or
10 expending money or anything of value to support or oppose a
11 constitutional amendment, county charter amendment, or other
12 question after it has been formally certified or submitted to
13 the electors of the State or any county. "Ballot-issue
14 activity" does not include any bona fide news story, commentary,
15 or editorial distributed through the facilities of a
16 broadcasting station or of any print, online, or digital
17 newspaper, magazine, blog, or other periodical publication,
18 unless the broadcasting, print, online, or digital facility is
19 owned or controlled by a political party, political committee,
20 or candidate.



1 "Charter privilege" means any benefit that exists only
2 because the State confers it on a corporation or other entity,
3 including, without limitation, limited liability, perpetual
4 duration, succession in the corporate name, business or
5 statutory trusts, and tax credits or abatements.

6 "Election activity" means paying, contributing, or
7 expending money or anything of value to support or oppose a
8 candidate, political party, or political committee. "Election
9 activity" does not include any bona fide news story, commentary,
10 or editorial distributed through the facilities of a
11 broadcasting station or of any print, online, or digital
12 newspaper, magazine, blog, or other periodical publication,
13 unless the broadcasting, print, online, or digital facility is
14 owned or controlled by a political party, political committee,
15 or candidate."

16 SECTION 11. Section 428-111, Hawaii Revised Statutes, is
17 amended to read as follows:

18 **"§428-111 Nature of business and powers.** (a) A limited
19 liability company may be organized under this chapter for any
20 lawful purpose, except for any election activity or ballot-issue
21 activity, subject to any law of this State governing or



1 regulating business. Under no circumstances shall any power or
2 activity related to election activity or ballot-issue activity
3 be deemed necessary or convenient for a lawful business purpose.

4 (b) Unless its articles of organization provide otherwise,
5 a limited liability company has ~~[the same powers as an~~
6 ~~individual to do all things necessary or convenient to carry on~~
7 ~~its business or affairs,]~~ perpetual duration and succession in
8 its corporate name and is hereby granted artificial-person
9 powers, including without limitation the power to:

10 (1) Sue and be sued, and defend in its company name;

11 (2) Purchase, receive, lease, or otherwise acquire, and
12 own, hold, improve, use, and otherwise deal with real
13 or personal property, or any legal or equitable
14 interest in property, wherever located;

15 (3) Sell, convey, mortgage, grant a security interest in,
16 lease, exchange, and otherwise encumber or dispose of
17 all or any part of its property;

18 (4) Purchase, receive, subscribe for, or otherwise
19 acquire, own, hold, vote, use, sell, mortgage, lend,
20 grant a security interest in, or otherwise dispose of



1 and deal in and with, shares or other interests in or
2 obligations of any other entity;

3 (5) Make contracts and guarantees, incur liabilities,
4 borrow money, issue notes, bonds, and other
5 obligations, which may be convertible into or include
6 the option to purchase other securities of the limited
7 liability company, and secure any of its obligations
8 by a mortgage on or a security interest in any of its
9 property, franchises, or income;

10 (6) Lend money, invest and reinvest its funds, and receive
11 and hold real and personal property as security for
12 repayment;

13 (7) Be a promoter, partner, member, associate, or manager
14 of any partnership, joint venture, trust, or other
15 entity;

16 (8) Conduct its business, locate offices, and exercise the
17 powers granted by this chapter within or without this
18 State;

19 (9) Elect managers and appoint officers, employees, and
20 agents of the limited liability company, define their



1 duties, fix their compensation, and lend them money
2 and credit;

3 (10) Pay pensions and establish pension plans, pension
4 trusts, profit sharing plans, share bonus plans, share
5 option plans, and benefit or incentive plans for any
6 or all of its current or former members, managers,
7 officers, employees, and agents;

8 (11) Make donations for the public welfare or for
9 charitable, scientific, or educational purposes; and

10 (12) Make payments or donations, or do any other act, not
11 inconsistent with law, that furthers the business of
12 the limited liability company.

13 (c) Any provision of the articles of incorporation,
14 bylaws, or other organizational documents purporting to grant or
15 confer any power to engage in election activity or ballot-issue
16 activity, directly or indirectly, is void.

17 (d) Any act undertaken by a limited liability company that
18 constitutes election activity or ballot-issue activity is ultra
19 vires and void. A limited liability company that exercises any
20 power that is not granted under subsection (b) forfeits all
21 charter privileges, including limited liability and perpetual



1 duration, as a matter of law. The director of commerce and
2 consumer affairs shall adopt rules for administrative
3 forfeiture, reinstatement upon disgorgement and certification of
4 compliance, and related civil enforcement.

5 (e) A foreign limited liability company that is authorized
6 to transact business, is otherwise transacting business, or
7 holds property in this State is subject to this section. A
8 foreign limited liability company that directly or indirectly
9 undertakes, finances, or directs election activity or ballot-
10 issue activity in the State shall be deemed to be transacting
11 business in this State."

12 PART V

13 SECTION 12. Section 425E-102, Hawaii Revised Statutes, is
14 amended by adding four new definitions to be appropriately
15 inserted and to read as follows:

16 "Artificial-person powers" means the same powers as an
17 individual to do all things necessary or convenient to carry out
18 the corporation's lawful business and affairs. "Artificial-
19 person powers" does not include powers related to election
20 activity or ballot-issue activity.



1 "Ballot-issue activity" means paying, contributing, or
2 expending money or anything of value to support or oppose a
3 constitutional amendment, county charter amendment, or other
4 question after it has been formally certified or submitted to
5 the electors of the State or any county. "Ballot-issue
6 activity" does not include any bona fide news story, commentary,
7 or editorial distributed through the facilities of a
8 broadcasting station or of any print, online, or digital
9 newspaper, magazine, blog, or other periodical publication,
10 unless the broadcasting, print, online, or digital facility is
11 owned or controlled by a political party, political committee,
12 or candidate.

13 "Charter privilege" means any benefit that exists only
14 because the State confers it on a corporation or other entity,
15 including, without limitation, limited liability, perpetual
16 duration, succession in the corporate name, business or
17 statutory trusts, and tax credits or abatements.

18 "Election activity" means paying, contributing, or
19 expending money or anything of value to support or oppose a
20 candidate, political party, or political committee. "Election
21 activity" does not include any bona fide news story, commentary,



1 or editorial distributed through the facilities of a
2 broadcasting station or of any print, online, or digital
3 newspaper, magazine, blog, or other periodical publication,
4 unless the broadcasting, print, online, or digital facility is
5 owned or controlled by a political party, political committee,
6 or candidate."

7 SECTION 13. Section 425E-105, Hawaii Revised Statutes, is
8 amended to read as follows:

9 "[~~§~~425E-105~~§~~] **Powers.** (a) [A] Except for any election
10 activity or ballot-issue activity, a limited partnership has the
11 powers to do all things necessary or convenient to carry on its
12 activities, including charter privileges and the power to sue,
13 be sued, and defend in its own name and to maintain an action
14 against a partner for harm caused to the limited partnership by
15 a breach of the partnership agreement or violation of a duty to
16 the partnership. Under no circumstances shall any power or
17 activity related to election activity or ballot-issue activity
18 be deemed necessary or convenient for a lawful business purpose.

19 (b) Unless a partnership agreement or certificate of
20 limited partnership provides otherwise, each limited partnership
21 is hereby granted artificial-person powers."



PART VI

SECTION 14. Chapter 429, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"§429- Powers of unincorporated nonprofit associations.

(a) The creation and continued existence of an unincorporated nonprofit association is not a right but a conditional grant of legal status by the State and remains subject to complete withdrawal at any time. All powers previously granted to such associations under the laws of this State are revoked in their entirety. An association operating under the jurisdiction of this State shall possess no power unless specifically granted by this section.

(b) Unless its governing principles provide otherwise, each unincorporated nonprofit association is hereby granted artificial-person powers together with the powers enumerated in this chapter.

(c) Any provision of the association's governing principles, articles of association, bylaws, or similar documents purporting to grant or confer any power to engage in



1 election activity or ballot-issue activity, directly or
2 indirectly, is void.

3 (d) Any act undertaken by an association that constitutes
4 election activity or ballot-issue activity is ultra vires and
5 void. An association that exercises any power not granted under
6 subsection (b) forfeits all charter privileges, including
7 limited liability and perpetual duration, as a matter of law.
8 The director of commerce and consumer affairs shall adopt rules
9 for administrative forfeiture, reinstatement upon disgorgement
10 and certification of compliance, and related civil enforcement.

11 (e) A foreign unincorporated nonprofit association that is
12 authorized to transact business, is otherwise transacting
13 business, or holds property in this State is subject to this
14 section. A foreign association that directly or indirectly
15 undertakes, finances, or directs election activity or ballot-
16 issue activity in the State shall be conclusively deemed to be
17 transacting business in this State."

18 SECTION 15. Section 429-1, Hawaii Revised Statutes, is
19 amended by adding four new definitions to be appropriately
20 inserted and to read as follows:



1 "Artificial-person powers" means the same powers as an
2 individual to do all things necessary or convenient to carry out
3 the corporation's lawful business and affairs. "Artificial-
4 person powers" does not include powers related to election
5 activity or ballot-issue activity.

6 "Ballot-issue activity" means paying, contributing, or
7 expending money or anything of value to support or oppose a
8 constitutional amendment, county charter amendment, or other
9 question after it has been formally certified or submitted to
10 the electors of the State or any county. "Ballot-issue
11 activity" does not include any bona fide news story, commentary,
12 or editorial distributed through the facilities of a
13 broadcasting station or of any print, online, or digital
14 newspaper, magazine, blog, or other periodical publication,
15 unless the broadcasting, print, online, or digital facility is
16 owned or controlled by a political party, political committee,
17 or candidate.

18 "Charter privilege" means any benefit that exists only
19 because the State confers it on a corporation or other entity,
20 including, without limitation, limited liability, perpetual



1 duration, succession in the corporate name, business or
2 statutory trusts, and tax credits or abatements.

3 "Election activity" means paying, contributing, or
4 expending money or anything of value to support or oppose a
5 candidate, political party, or political committee. "Election
6 activity" does not include any bona fide news story, commentary,
7 or editorial distributed through the facilities of a
8 broadcasting station or of any print, online, or digital
9 newspaper, magazine, blog, or other periodical publication,
10 unless the broadcasting, print, online, or digital facility is
11 owned or controlled by a political party, political committee,
12 or candidate."

13 PART VII

14 SECTION 16. Chapter 415A, Hawaii Revised Statutes, is
15 amended by adding a new section to be appropriately designated
16 and to read as follows:

17 "§415A- Applicability. A professional corporation
18 organized under this chapter is subject to section 414-42,
19 including all limitations on corporate powers contained in that
20 section."



1 SECTION 17. Chapter 421, Hawaii Revised Statutes, is
2 amended by adding a new section to be appropriately designated
3 and to read as follows:

4 "§421- Applicability. An association organized under
5 this chapter is subject to section 414-42, including all
6 limitations on corporate powers contained in that section."

7 SECTION 18. Chapter 421C, Hawaii Revised Statutes, is
8 amended by adding a new section to be appropriately designated
9 and to read as follows:

10 "§421C- Applicability. An association organized under
11 this chapter is subject to section 414-42, including all
12 limitations on corporate powers contained in that section."

13 SECTION 19. Chapter 421H, Hawaii Revised Statutes, is
14 amended by adding a new section to be appropriately designated
15 and to read as follows:

16 "§421H- Applicability. A cooperative housing
17 corporation or association organized under this chapter is
18 subject to section 414-42, including all limitations on
19 corporate powers contained in that section."



SECTION 20. Chapter 412, Hawaii Revised Statutes, is amended by adding a new section to article 10 to be appropriately designated and to read as follows:

"§412:10- Applicability. A credit union chartered
under this part is subject to section 414-42, with respect to
the limitations on corporate powers contained in that section."

PART VIII

SECTION 21. This Act applies to all entities organized under the laws of this State unless expressly identified in statute as a public body corporate and politic. Nothing in this Act shall apply to any agency or instrumentality of the State or its political subdivisions.

SECTION 22. If any provision of this Act, or the application thereof to any person or circumstance, is held invalid, the invalidity does not affect other provisions or applications of the Act that can be given effect without the invalid provision or application, and to this end the provisions of this Act are severable.

SECTION 23. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

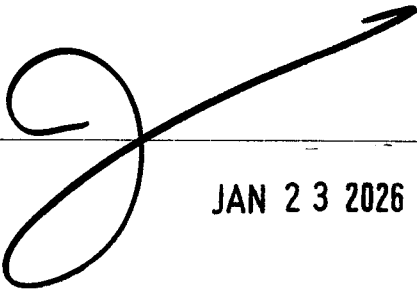
SECTION 24. This Act shall take effect on January 1, 2027.



H.B. NO. 2130

1

INTRODUCED BY:



A large, stylized handwritten signature in black ink, written over a horizontal line.

JAN 23 2026



Report Title:

Corporations; Nonprofit Corporations; Limited Liability Companies; Limited Partnerships; Limited Liability Partnerships; Unincorporated Nonprofit Associations; Professional Corporations; Agricultural Cooperative Associations; Consumer Cooperative Associations; Limited-Equity Housing Cooperatives; State-chartered Credit Unions

Description:

Makes any state-chartered corporation, limited liability company, limited partnership, limited liability partnership, cooperative, nonprofit, or other association lack the legal capacity to make expenditures or contributions in connection with elections or ballot measures. Deems any election or ballot measure expenditure or contribution to be ultra vires or void as a matter of law, triggering administrative forfeiture of charter privileges, including limited liability and perpetual duration, until reinstatement. Effective 1/1/2027.

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

