

JAN 22 2026

A BILL FOR AN ACT

RELATING TO THE POWERS OF ARTIFICIAL PERSONS.

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

1 PART I

2 SECTION 1. The legislature finds that all political power
3 in the State of Hawaii is inherent in the people, and that the
4 creation of a corporation or other artificial legal entity is a
5 privilege granted by the State, not a natural right. Under
6 article I, section 21, of the Constitution of the State of
7 Hawaii, no grant of special privileges or immunities is
8 irrevocable, and the legislature retains full authority to
9 redefine or withdraw any corporate or entity powers that the
10 State has conferred.

11 The legislature further finds that judicial decisions of
12 the United States Supreme Court recognize that the State
13 possesses plenary authority to determine the powers and
14 capacities of the artificial persons it creates. This Act
15 exercises that authority to restate and limit the powers that
16 the State grants to corporations, limited liability companies,
17 partnerships, associations, and other artificial persons.



1 The legislature further finds that statutes in the State
2 and other jurisdictions have historically included broad grants
3 of corporate powers. State law currently authorizes a
4 corporation to have "the same powers as an individual to do all
5 things necessary or convenient to carry out its business and
6 affairs". The United States Supreme Court has interpreted these
7 broad grants of powers to include powers to make expenditures in
8 connection with elections and ballot measures, and has
9 recognized constitutional rights attaching to the exercise of
10 these powers. The legislature declares that these political
11 spending powers were never intended to be among the powers
12 granted to corporations or other artificial persons by the
13 State. The aim of this Act is to make that intent explicit and
14 to define the lawful powers of artificial persons accordingly.

15 The legislature believes that the powers conferred on an
16 artificial person are separate and distinct from the rights
17 retained by natural persons. This Act therefore does not
18 regulate any natural person's rights to speech, petition, or
19 association. It simply defines and limits the powers that the
20 State confers upon the artificial entities that it charters or
21 authorizes to do business.



1 Accordingly, the purpose of this Act is to reaffirm that
2 artificial persons created under Hawaii law possess only those
3 powers that are necessary or convenient to carry out lawful
4 business and charitable or organizational purposes, and that
5 those powers do not include the power to spend money or
6 contribute anything of value to influence elections or ballot
7 measures. This Act revokes all prior grants of corporate and
8 entity powers and regrants only those powers that the State
9 determines to be necessary or convenient to conduct lawful
10 business under the constitution and laws of this State.

SECTION 2. 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.

16 PART II

SECTION 3. Chapter 412, Hawaii Revised Statutes, is amended by adding a new section to part II of article 10, to be appropriately designated and to read as follows:

20 "§412:10- Limitation on powers. A credit union
21 chartered under this part is subject to section 414-42 with

1 respect to the limitations on corporate powers contained in that
2 section."

3 PART III

4 SECTION 4. Section 414-3, Hawaii Revised Statutes, is
5 amended by adding four new definitions to be appropriately
6 inserted and to read as follows:

7 "Artificial-person powers" means the same powers as an
8 individual to do all things necessary or convenient to carry out
9 the corporation's lawful business and affairs, excluding any
10 power to directly or indirectly engage in election activity or
11 ballot-issue activity. Powers related to election activity or
12 ballot-issue activity shall not be considered, under any
13 circumstances, to be necessary or convenient to the
14 corporation's business or affairs.

15 "Ballot-issue activity" means paying, contributing, or
16 expending money or anything of value to support or oppose a
17 constitutional amendment, county charter amendment, or other
18 ballot question after it has been formally certified or
19 submitted to the electors of the State or any county. The term
20 does not include any bona fide news story, commentary, or
21 editorial distributed through the facilities of a broadcasting



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

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

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

19 SECTION 5. Section 414-41, Hawaii Revised Statutes, is
20 amended by amending subsection (a) to read as follows:



1 "(a) Every corporation incorporated under this chapter has
2 the purpose of engaging in any lawful business, not including
3 election activity or ballot-issue activity, unless a more
4 limited purpose is set forth in the articles of incorporation.
5 Under no circumstances shall any power or activity related to
6 election activity or ballot-issue activity be deemed necessary
7 or convenient for a lawful business purpose."

8 SECTION 6. Section 414-42, Hawaii Revised Statutes, is
9 amended to read as follows:

10 "~~[+]§414-42[+]~~ **General powers.** (a) The creation and
11 continued existence of a corporation is not a right but a
12 conditional grant of legal status by the State and remains
13 subject to complete withdrawal at any time. All powers
14 previously granted to corporations under the laws of this State
15 are revoked in their entirety. A corporation operating under
16 the jurisdiction of this State shall possess no power unless
17 specifically granted by this section.

18 (b) Unless its articles of incorporation provide
19 otherwise, every corporation has perpetual duration and
20 succession in its corporate name and ~~[has the same powers as an~~
21 ~~individual to do all things necessary or convenient to carry out~~



1 ~~its business and affairs,~~] is hereby granted artificial-person
2 powers, including without limitation, the power:

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

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

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

13 (4) To purchase, receive, lease, or otherwise acquire, and
14 own, hold, improve, use, and otherwise deal with, real
15 or personal property, or any legal or equitable
16 interest in property, wherever located;

17 (5) To sell, convey, mortgage, pledge, lease, exchange,
18 and otherwise dispose of all or any part of its
19 property;

20 (6) To purchase, receive, subscribe for, or otherwise
21 acquire; own, hold, vote, use, sell, mortgage, lend,



pledge, or otherwise dispose of; and deal in and with shares or other interests in, or obligations of, any other entity;

(7) To make contracts and guarantees, incur liabilities, borrow money, issue its notes, bonds, and other obligations (which may be convertible into or include the option to purchase other securities of the corporation), and secure any of its obligations by mortgage or pledge of any of its property, franchises, or income;

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

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

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

(11) To elect directors and appoint officers, employees, and agents of the corporation, define their duties,



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

3 (12) To 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 directors, officers,
7 employees, and agents;

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

10 (14) To transact any lawful business that will aid
11 governmental policy; and

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

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

19 (d) Any act undertaken by a corporation that constitutes
20 an election activity or ballot-issue activity is ultra vires and
21 void. A corporation that exercises any power not granted under



1 subsection (b) forfeits all charter privileges, including
2 limited liability and perpetual duration, as a matter of law.
3 The director of commerce and consumer affairs shall adopt rules
4 for administrative forfeiture, reinstatement upon disgorgement
5 and certification of compliance, and related civil enforcement
6 of this section.

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

13 (f) Nothing in this section shall be construed to
14 invalidate, impair, or modify any existing contract, debt
15 instrument, security, or other legal obligation validly entered
16 into before the effective date of this section; provided that
17 nothing herein authorizes any election activity or ballot-issue
18 activity after that date.

19 (g) If any provision of this section, or its application
20 to any person or circumstance, is held invalid or
21 unconstitutional, the remaining provisions and applications that



1 are severable shall remain in effect, and no prior grant of
2 corporate powers shall be revived, reinstated, or implied by
3 operation of law or judicial construction."

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

6 "[~~§~~414-44~~§~~] **Ultra vires.** (a) Except as provided in
7 subsection (b), the validity of corporate action may not be
8 challenged on the ground that the corporation lacks or lacked
9 power to act.

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

11 (1) In a proceeding by a shareholder against the
12 corporation to enjoin the act;

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

18 (3) In a proceeding by the attorney general under section
19 414-411.

20 (c) In a shareholder's proceeding under subsection (b) (1)
21 to enjoin an unauthorized corporate act, the court may enjoin or



1 set aside the act, if equitable and if all affected persons are
2 parties to the proceeding, and may award damages for loss (other
3 than anticipated profits) suffered by the corporation or another
4 party because of enjoining the unauthorized act.

5 (d) This section shall not apply to acts that constitute
6 election activities or ballot-issue activities. These acts are
7 ultra vires and void under section 414-42(d) and may be
8 addressed in proceedings authorized by that section or by the
9 attorney general under section 414-411."

10 PART IV

11 SECTION 8. Section 414D-14, Hawaii Revised Statutes, is
12 amended by adding four new definitions to be appropriately
13 inserted and to read as follows:

14 "Artificial-person powers" means the same powers as an
15 individual to do all things necessary or convenient to carry out
16 the nonprofit corporation's lawful charitable or public-benefit
17 purposes and activities, excluding any power to directly or
18 indirectly engage in election activity or ballot-issue activity.
19 Powers related to election activity or ballot-issue activity
20 shall not be considered, under any circumstances, to be



1 necessary or convenient to the nonprofit corporation's purposes
2 or activities.

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 ballot question after it has been formally certified or
7 submitted to the electors of the State or any county. The term
8 does not include any bona fide news story, commentary, or
9 editorial distributed through the facilities of a broadcasting
10 station or of any print, online, or digital newspaper, magazine,
11 blog, or other periodical publication, unless the broadcasting,
12 print, online, or digital facility is owned or controlled by a
13 political party, political committee, or candidate.

14 "Charter privilege" means any benefit that exists only
15 because the State confers it on a nonprofit corporation or other
16 entity, including, without limitation, limited liability,
17 perpetual duration, succession in its 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. The term



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

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

9 "(a) Every corporation incorporated under this chapter has
10 the purpose of engaging in any lawful charitable or
11 public-benefit activity, not including election activity or
12 ballot-issue activity, unless a more limited purpose is set
13 forth in the articles of incorporation."

14 SECTION 10. Section 414D-52, Hawaii Revised Statutes, is
15 amended to read as follows:

16 "[~~§~~414D-52~~§~~] **General powers.** (a) The creation and
17 continued existence of a nonprofit corporation is not a right
18 but a conditional grant of legal status by the State and remains
19 subject to complete withdrawal at any time. All powers
20 previously granted to nonprofit corporations under the laws of
21 this State are revoked in their entirety. A nonprofit



1 corporation operating under the jurisdiction of this State shall
2 possess no power unless specifically granted by this section.

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

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

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

15 (3) To make and amend bylaws, not inconsistent with its
16 articles of incorporation or with the laws of the
17 State, for regulating and managing the affairs of the
18 corporation;

19 (4) To purchase, receive, lease, or otherwise acquire, and
20 own, hold, improve, use, and otherwise deal with, real



1 or personal property, or any legal or equitable
2 interest in property, wherever located;

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

6 (6) To purchase, receive, subscribe for, or otherwise
7 acquire, own, hold, vote, use, sell, mortgage, lend,
8 pledge, or otherwise dispose of, and deal in and with,
9 shares or other interests in, or obligations of any
10 entity;

11 (7) To make contracts and guaranties, incur liabilities,
12 borrow money, issue notes, bonds, and other
13 obligations, and secure any of its obligations by
14 mortgage or pledge of any of its property, franchises,
15 or income;

16 (8) To lend money, invest and reinvest its funds, and
17 receive and hold real and personal property as
18 security for repayment, except as limited by section
19 414D-151;



- 1 (9) To be a promoter, partner, member, associate, or
2 manager of any partnership, joint venture, trust, or
3 other entity;
- 4 (10) To conduct its activities, locate offices, and
5 exercise the powers granted by this chapter within or
6 without this State;
- 7 (11) To elect or appoint directors, officers, employees,
8 and agents of the corporation, define their duties,
9 and fix their compensation;
- 10 (12) To pay pensions and establish pension plans, pension
11 trusts, and other benefit and incentive plans for any
12 or all of its current or former directors, officers,
13 employees, and agents;
- 14 (13) To make donations not inconsistent with law for the
15 public welfare or for charitable, religious,
16 scientific, or educational purposes, and for other
17 purposes that further the corporate interest;
- 18 (14) To impose dues, assessments, admission, and transfer
19 fees upon its members;
- 20 (15) To establish conditions for admission of members,
21 admit members, and issue memberships;



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(16) To carry on a business;

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

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

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

(e) A foreign nonprofit corporation that is authorized to transact business, is otherwise transacting business, or holds property in this State is subject to this section. A foreign nonprofit corporation that directly or indirectly undertakes,



1 finances, or directs election activity or ballot-issue activity
2 in the State shall be conclusively deemed to be transacting
3 business in this State.

4 (f) Notwithstanding any other provision of this section or
5 chapter, candidate committees and noncandidate committees, as
6 defined in section 11-302, or similar committees created
7 pursuant under federal law, are entities created for the purpose
8 of engaging in election activity and ballot-issue activity.

9 Those committees are hereby granted the power to engage in those
10 activities, provided they exist solely for those purposes and
11 claim no charter privilege other than limited liability. No
12 other nonprofit corporation organized under this chapter may be
13 granted or exercise any power to engage in election activity or
14 ballot-issue activity.

15 (g) Nothing in this section shall be construed to
16 invalidate, impair, or modify any existing contract, debt
17 instrument, security, or other legal obligation validly entered
18 into before the effective date of this section; provided that
19 nothing herein authorizes any election activity or ballot-issue
20 activity after that date.



1 (h) If any provision of this section, or its application
2 to any person or circumstance, is held invalid or
3 unconstitutional, the remaining provisions and applications that
4 are severable shall remain in effect, and no prior grant of
5 nonprofit corporate powers shall be revived, reinstated, or
6 implied by operation of law or judicial construction."

7 SECTION 11. Section 414D-54, Hawaii Revised Statutes, is
8 amended to read as follows:

9 **"§414D-54 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 in a
14 proceeding against the corporation to enjoin an act where a
15 third party has not acquired rights. The proceeding may be
16 brought by the attorney general, a director, or by a member or
17 members in a derivative proceeding.

18 (c) A corporation's power to act may be challenged in a
19 proceeding against an incumbent or former director, officer,
20 employee, or agent of the corporation. The proceeding may be
21 brought by a director, the corporation, directly, derivatively,



1 or through a receiver, a trustee, or other legal representative,
2 or in the case of a public benefit corporation, by the attorney
3 general.

4 (d) This section shall not apply to acts that constitute
5 election activities or ballot-issue activities as defined in
6 section 414D-14. Those acts are ultra vires and void under
7 section 414D-52(d) and may be addressed in proceedings
8 authorized by that section or by the attorney general under
9 section 414D-252."

10 PART V

11 SECTION 12. Chapter 415A, Hawaii Revised Statutes, is
12 amended by adding a new section to be appropriately designated
13 and to read as follows:

14 "§415A- Limitation on powers. A professional
15 corporation organized under this chapter is subject to section
16 414-42, including all limitations on corporate powers contained
17 in that section."

18 PART VI

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



1 "§421- Limitations on powers. A cooperative
2 association organized under this chapter is subject to section
3 414-42, including all limitations on corporate powers contained
4 in that section."

5 PART VII

SECTION 14. Chapter 421C, Hawaii Revised Statutes, is amended by adding a new section to part I to be appropriately designated and to read as follows:

9 "§421C- Limitations on powers. A cooperative
10 association organized under this chapter is subject to section
11 414-42, including all limitations on corporate powers contained
12 in that section."

13 PART VIII

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

17 "§421H- Limitations on powers. A limited-equity
18 housing cooperative organized under this chapter is subject to
19 section 414-42, including all limitations on corporate powers
20 contained in that section."



PART IX

SECTION 16. Chapter 425, Hawaii Revised Statutes, is amended by adding a new section to the "Limited Liability Partnerships" subpart of part IV and to be appropriately designated and to read as follows:

"§425- Election and ballot-issue activity; limitation on limited-liability privilege. (a) This section applies only to partnerships registered as limited liability partnerships under this subpart.

(b) A partnership registered as a limited liability partnership under this subpart shall not directly or indirectly engage in election activity or ballot-issue activity.

(c) Any act undertaken by a limited liability partnership that constitutes an election activity or ballot-issue activity is ultra vires and void. A partnership that engages in either activity forfeits all charter privileges conferred by its statement of qualification, including limited liability, as a matter of law. The director of commerce and consumer affairs shall adopt rules for administrative forfeiture, reinstatement upon disgorgement and certification of compliance, and related civil enforcement of this section.



(d) A foreign limited liability partnership that directly or indirectly undertakes, finances, or directs election activity or ballot-issue activity in that State shall be conclusively deemed to be transacting business in this State.

(e) If any provision of this section, or its application to any person or circumstance, is held invalid or unconstitutional, the remaining provisions and applications that are severable shall remain in effect, and no prior grant of limited-liability privileges shall be revived, reinstated, or implied by operation of law or judicial construction.

(f) For the purposes of this section, the terms
"ballot-issue activity" and "election activity" shall have the
same meaning as in section 414-3."

PART X

SECTION 17. Chapter 425E-102, Hawaii Revised Statutes, is amended by adding four new definitions to be appropriately designated and to read as follows:

"Artificial-person powers" means the same powers as an individual to do all things necessary or convenient to carry out the limited partnership's lawful business and affairs, excluding any power to directly or indirectly engage in election activity

1 or ballot-issue activity. Powers related to election activity
2 or ballot-issue activity shall not be considered, under any
3 circumstances, to be necessary or convenient to the limited
4 partnership's business or affairs.

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

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



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

10 SECTION 18. Section 425E-105, Hawaii Revised Statutes, is
11 amended to read as follows:

12 "~~[+]§425E-105[+] Powers. [A limited partnership has the~~
13 ~~powers to do all things necessary or convenient to carry on its~~
14 ~~activities, including the power to sue, be sued, and defend in~~
15 ~~its own name and to maintain an action against a partner for~~
16 ~~harm caused to the limited partnership by a breach of the~~
17 ~~partnership agreement or violation of a duty to the~~
18 ~~partnership.]~~ (a) The creation and continued existence of a
19 limited partnership is not a right but a conditional grant of
20 legal status by the State and remains subject to complete
21 withdrawal at any time. All powers previously granted to



1 limited partnerships under the laws of this State are revoked in
2 their entirety. A limited partnership operating under the
3 jurisdiction of this State shall possess no power unless
4 specifically granted by this section.

5 (b) A limited partnership has perpetual duration and
6 succession in its name. Unless its partnership agreement or
7 certificate of limited partnership provides otherwise, each
8 limited partnership is hereby granted artificial-person powers
9 together with the powers enumerated in this chapter.

10 (c) Any provision of a partnership agreement, certificate
11 of limited partnership, or other organizational document
12 purporting to grant or confer any power to directly or
13 indirectly engage in election activity or ballot-issue activity
14 is void.

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



1 reinstatement upon disgorgement and certification of compliance,
2 and related civil enforcement of this section.

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

10 (f) Nothing in this section shall be construed to
11 invalidate, impair, or modify any existing contract, debt
12 instrument, security, or other legal obligation validly entered
13 into before the effective date of this section; provided that
14 nothing herein authorizes any election activity or ballot-issue
15 activity after that date.

16 (g) If any provision of this section, or its application
17 to any person or circumstance, is held invalid or
18 unconstitutional, the remaining provisions and applications that
19 are severable shall remain in effect, and no prior grant of
20 powers to limited partnerships shall be revived, reinstated, or
21 implied by operation of law or judicial construction."



PART XI

SECTION 19. Section 428-101, Hawaii Revised Statutes, is amended by adding four new definitions to be appropriately inserted and to read as follows:

""Artificial-person powers" means the same powers as an individual to do all things necessary or convenient to carry out the limited liability company's lawful business and affairs, excluding any power to directly or indirectly engage in election activity or ballot-issue activity. Powers related to election activity or ballot-issue activity shall not be considered, under any circumstances, to be necessary or convenient to the company's business or affairs.

"Ballot-issue activity" means paying, contributing, or expending money or anything of value to support or oppose a constitutional amendment, county charter amendment, or other ballot question after it has been formally certified or submitted to the electors of the State or any county. The term does not include any bona fide news story, commentary, or editorial distributed through the facilities of a broadcasting station or of any print, online, or digital newspaper, magazine, blog, or other periodical publication, unless the broadcasting,



1 print, online, or digital facility is owned or controlled by a
2 political party, political committee, or candidate.

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

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

17 SECTION 20. Section 428-111, Hawaii Revised Statutes, is
18 amended to read as follows:

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



1 ~~regulating business.]~~ The creation and continued existence of a
2 limited liability company is not a right but a conditional grant
3 of legal status by the State and remains subject to complete
4 withdrawal at any time. All powers previously granted to
5 limited liability companies under the laws of this State are
6 revoked in their entirety. A limited liability company
7 operating under the jurisdiction of this State shall possess no
8 power unless specifically granted by this section.

9 (b) Unless its articles of organization provide otherwise,
10 a limited liability company has [~~the same powers as an~~
11 ~~individual to do all things necessary or convenient to carry on~~
12 ~~its business or affairs,~~] perpetual duration and succession in
13 its company name and is hereby granted artificial-person powers,
14 including the power to:

- 15 (1) Sue and be sued, and defend in its company name;
16 (2) Purchase, receive, lease, or otherwise acquire, and
17 own, hold, improve, use, and otherwise deal with real
18 or personal property, or any legal or equitable
19 interest in property, wherever located;



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- 1 (3) Sell, convey, mortgage, grant a security interest in,
2 lease, exchange, and otherwise encumber or dispose of
3 all or any part of its property;
- 4 (4) Purchase, receive, subscribe for, or otherwise
5 acquire, own, hold, vote, use, sell, mortgage, lend,
6 grant a security interest in, or otherwise dispose of
7 and deal in and with, shares or other interests in or
8 obligations of any other entity;
- 9 (5) Make contracts and guarantees, incur liabilities,
10 borrow money, issue notes, bonds, and other
11 obligations, which may be convertible into or include
12 the option to purchase other securities of the limited
13 liability company, and secure any of its obligations
14 by a mortgage on or a security interest in any of its
15 property, franchises, or income;
- 16 (6) Lend money, invest and reinvest its funds, and receive
17 and hold real and personal property as security for
18 repayment;
- 19 (7) Be a promoter, partner, member, associate, or manager
20 of any partnership, joint venture, trust, or other
21 entity;



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

(9) Elect managers and appoint officers, employees, and agents of the limited liability company, define their duties, fix their compensation, and lend them money and credit;

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

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

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

PART XII

SECTION 21. Chapter 429, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:



1 "§429- Powers of an unincorporated nonprofit

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

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

15 (c) Any provision of the unincorporated nonprofit
16 association's governing principles, articles of association,
17 bylaws, or similar documents purporting to grant or confer any
18 power to directly or indirectly engage in election activity or
19 ballot-issue activity is void.

20 (d) Any act undertaken by an unincorporated nonprofit
21 association that constitutes an election activity or



1 ballot-issue activity is ultra vires and void. An
2 unincorporated nonprofit association that exercises any power
3 not granted under subsection (b) forfeits all charter
4 privileges, including limited liability and perpetual duration,
5 as a matter of law. The director of commerce and consumer
6 affairs shall adopt rules for administrative forfeiture,
7 reinstatement upon disgorgement and certification of compliance,
8 and related civil enforcement of this section.

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

16 (f) Nothing in this section shall be construed to
17 invalidate, impair, or modify any existing contract, debt
18 instrument, security, or other legal obligation validly entered
19 into before the effective date of this section; provided that
20 nothing herein authorizes any election activity or ballot-issue
21 activity after that date.



1 (g) If any provision of this section, or its application
2 to any person or circumstance, is held invalid or
3 unconstitutional, the remaining provisions and applications that
4 are severable shall remain in effect, and no prior grant of
5 powers to unincorporated nonprofit associations shall be
6 revived, reinstated, or implied by operation of law or judicial
7 construction."

8 SECTION 22. Section 429-1, Hawaii Revised Statutes, is
9 amended by adding four new definitions to be appropriately
10 inserted and to read as follows:

11 "Artificial-person powers" means the same powers as an
12 individual to do all things necessary or convenient to carry out
13 the unincorporated nonprofit association's lawful purposes and
14 activities, excluding any power to directly or indirectly engage
15 in election activity or ballot-issue activity. Powers related
16 to election activity or ballot-issue activity shall not be
17 considered, under any circumstances, to be necessary or
18 convenient to the unincorporated nonprofit association's lawful
19 purposes and activities.

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



1 constitutional amendment, county charter amendment, or other
2 ballot question after it has been formally certified or
3 submitted to the electors of the State or any county. The term
4 does not include any bona fide news story, commentary, or
5 editorial distributed through the facilities of a broadcasting
6 station or of any print, online, or digital newspaper, magazine,
7 blog, or other periodical publication, unless the broadcasting,
8 print, online, or digital facility is owned or controlled by a
9 political party, political committee, or candidate.

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

15 "Election activity" means paying, contributing, or
16 expending money or anything of value to support or oppose a
17 candidate, political party, or political committee. The term
18 does not include any bona fide news story, commentary, or
19 editorial distributed through the facilities of a broadcasting
20 station or of any print, online, or digital newspaper, magazine,
21 blog, or other periodical publication, unless the broadcasting,



1 print, online, or digital facility is owned or controlled by a
2 political party, political committee, or candidate."

3 PART XIII

4 SECTION 23. If any provision of this Act, or its
5 application to any person or circumstance, is held invalid or
6 unconstitutional, the remaining provisions and applications that
7 are severable shall remain in effect. Further, no prior grant
8 of powers to entities covered by this Act shall be revived,
9 reinstated, or implied by operation of law or judicial
10 construction, and nothing in this Act shall be construed to
11 authorize broader powers than are expressly conferred herein.

12 SECTION 24. Statutory material to be repealed is bracketed
13 and stricken. New statutory material is underscored.

14 SECTION 25. This Act shall take effect on January 1, 2027.

15 INTRODUCED BY: Karl Rhoads



S.B. NO. 2471

Report Title:

Business Entities; Election Activities; Limitations

Description:

Reaffirms that artificial persons created under state law possess only those powers that are necessary or convenient to carry out lawful business and charitable or organizational purposes, and that those powers do not include the power to spend money or contribute anything of value to influence elections or ballot measures. Revokes all prior grants of corporate and entity powers and regrants only those powers that the State determines to be necessary or convenient to conduct lawful business under the constitution and laws of this State.

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

