

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.

11 SECTION 2. This Act applies to all entities organized  
12 under the laws of this State unless expressly identified in  
13 statute as a public body corporate and politic. Nothing in this  
14 Act shall apply to any agency or instrumentality of the State or  
15 its political subdivisions.

## PART II

17 SECTION 3. Chapter 412, Hawaii Revised Statutes, is  
18 amended by adding a new section to part II of article 10, to be  
19 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."

### 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       "~~[f]~~ **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,



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

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

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

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

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

20                  (11) To elect directors and appoint officers, employees,  
21                  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;



1 (16) To carry on a business;

2 (17) To do all things necessary or convenient, not

3 inconsistent with law, to further the activities and

4 affairs of the corporation.

5 (c) Any provision of the articles, bylaws, or other

6 organizational documents purporting to grant or confer any power

7 to directly or indirectly engage in election activity or

8 ballot-issue activity is void.

9 (d) Any act undertaken by a nonprofit corporation that

10 constitutes an election activity or ballot-issue activity is

11 ultra vires and void. A nonprofit corporation that exercises

12 any power not granted under subsection (b) forfeits all charter

13 privileges, including limited liability and perpetual duration,

14 as a matter of law. The director of commerce and consumer

15 affairs shall adopt rules for administrative forfeiture,

16 reinstatement upon disgorgement and certification of compliance,

17 and related civil enforcement of this section.

18 (e) A foreign nonprofit corporation that is authorized to

19 transact business, is otherwise transacting business, or holds

20 property in this State is subject to this section. A foreign

21 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."

## PART VII

6 SECTION 14. Chapter 421C, Hawaii Revised Statutes, is  
7 amended by adding a new section to part I to be appropriately  
8 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."

## 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        "S421H-        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."



1 PART IX

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

6        "§425- Election and ballot-issue activity; limitation  
7        on limited-liability privilege. (a) This section applies only  
8        to partnerships registered as limited liability partnerships  
9        under this subpart.

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



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

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

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

14                   PART X

15                   SECTION 17. Chapter 425E-102, Hawaii Revised Statutes, is  
16 amended by adding four new definitions to be appropriately  
17 designated 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 limited partnership's lawful business and affairs, excluding  
21 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        "~~[+]S425E-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."



1

## PART XI

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

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

13       ~~"Ballot-issue activity" means paying, contributing, or~~  
14 ~~expending money or anything of value to support or oppose a~~  
15 ~~constitutional amendment, county charter amendment, or other~~  
16 ~~ballot question after it has been formally certified or~~  
17 ~~submitted to the electors of the State or any county. 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 "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 abatements.

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;



- 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;



- 1 (8) Conduct its business, locate offices, and exercise the
- 2 powers granted by this chapter within or without this
- 3 State;
- 4 (9) Elect managers and appoint officers, employees, and
- 5 agents of the limited liability company, define their
- 6 duties, fix their compensation, and lend them money
- 7 and credit;
- 8 (10) Pay pensions and establish pension plans, pension
- 9 trusts, profit sharing plans, share bonus plans, share
- 10 option plans, and benefit or incentive plans for any
- 11 or all of its current or former members, managers,
- 12 officers, employees, and agents;
- 13 (11) Make donations for the public welfare or for
- 14 charitable, scientific, or educational purposes; and
- 15 (12) Make payments or donations, or do any other act, not
- 16 inconsistent with law, that furthers the business of
- 17 the limited liability company."

## PART XII

**19** SECTION 21. Chapter 429, Hawaii Revised Statutes, is  
**20** amended by adding a new section to be appropriately designated  
**21** 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."

## 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 Rhodes*



# 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.*

