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

10 The legislature further finds that judicial decisions of
11 the United States Supreme Court recognize that the State
12 possesses plenary authority to determine the powers and
13 capacities of the artificial persons it creates. This Act
14 exercises that authority to restate and limit the powers that
15 the State grants to corporations, limited liability companies,
16 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 attached 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 further finds that the federal prohibition
16 on 501(c)(3) nonprofit corporation electioneering has been
17 upheld in federal courts on the basis that those entities
18 receive the benefit of favorable tax settings. This principle
19 also applies to entities chartered in the State, which receive
20 the benefits of favorable tax settings and limited liability
21 protections under state law.



1 The legislature believes that the powers conferred on an
2 artificial person are separate and distinct from the rights
3 retained by natural persons. This Act therefore does not
4 regulate any natural person's rights to speech, petition, or
5 association. This Act simply defines and limits the powers that
6 the State confers upon the artificial persons that the State
7 charters or authorizes to do business.

8 Accordingly, the purpose of this Act is to:

- 9 (1) Reaffirm that artificial persons created under state
10 law possess only those powers that are necessary or
11 convenient to carry out lawful business and
12 organizational purposes, and that those powers do not
13 include the power to spend money or contribute
14 anything of value to influence elections or ballot
15 measures; and
- 16 (2) Revoke all prior grants of corporate and entity powers
17 and regrant only those powers that the State
18 determines to be necessary or convenient to conduct
19 lawful business under the constitution and laws of the
20 State.



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

6 PART II

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

10 "§412:10- Limitations on powers. A credit union
11 chartered under this part shall be subject to section 414-42
12 with respect to the limitations on corporate powers contained in
13 that section."

14 PART III

15 SECTION 4. Section 414-3, Hawaii Revised Statutes, is
16 amended by adding seven 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, excluding any



1 power to directly or indirectly engage in election activity or
2 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 ballot question after it has been formally certified or
7 submitted to the electors of the State or any county. "Ballot-
8 issue activity" does not include any bona fide news story,
9 commentary, 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 candidate, political committee, or
14 political party.

15 "Candidate" has the same meaning as in section 11-302.

16 "Charter privilege" means any benefit that exists only
17 because the State confers it on a corporation or other entity,
18 including, without limitation, limited liability, perpetual
19 duration, succession in the corporate 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 committee, or political party. "Election
4 activity" does not include any bona fide news story, commentary,
5 or editorial distributed through the facilities of a
6 broadcasting station or of any print, online, or digital
7 newspaper, magazine, blog, or other periodical publication,
8 unless the broadcasting, print, online, or digital facility is
9 owned or controlled by a candidate, political committee, or
10 political party.

11 "Political committee" means any person, group of persons,
12 association, organization, or other entity, other than a
13 candidate or candidate committee, established and maintained by
14 a party that receives contributions or makes expenditures for
15 the purpose of influencing the nomination, election, or defeat
16 of a candidate, or the passage or defeat of a ballot measure.

17 "Political party" has the same meaning as "party" as
18 defined in section 11-302."

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 corporation's lawful business purpose or
8 affairs."

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

11 "~~§~~414-42~~§~~ **General powers.** (a) The creation and
12 continued existence of a corporation shall not be deemed a right
13 but shall be a conditional grant of legal status by this State
14 and shall remain subject to complete withdrawal at any time.
15 All powers granted to corporations under the laws of this State
16 before January 1, 2027, shall be revoked in their entirety.
17 Beginning January 1, 2027, a corporation operating under the
18 jurisdiction of this State shall possess no power unless
19 specifically granted by this section.

20 (b) Unless its articles of incorporation provide
21 otherwise, every corporation ~~has~~ shall have perpetual duration



1 and succession in its corporate name and [~~has the same powers as~~
2 ~~an individual to do all things necessary or convenient to carry~~
3 ~~out its business and affairs,~~] shall have artificial-person
4 powers, including, without limitation, the power[+] to:

5 (1) [~~To sue~~] Sue and be sued, complain, and defend in its
6 corporate name;

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

11 (3) [~~To make~~] Make and amend bylaws, not inconsistent with
12 its articles of incorporation or with the laws of this
13 State, for managing the business and regulating the
14 affairs of the corporation;

15 (4) [~~To purchase,~~] Purchase, receive, lease, or otherwise
16 acquire, and own, hold, improve, use, and otherwise
17 deal with, real or personal property, or any legal or
18 equitable interest in property, wherever located;

19 (5) [~~To sell,~~] Sell, convey, mortgage, pledge, lease,
20 exchange, and otherwise dispose of all or any part of
21 its property;



- 1 (6) ~~[To purchase]~~ Purchase, receive, subscribe for, or
2 otherwise acquire; own, hold, vote, use, sell,
3 mortgage, lend, pledge, or otherwise dispose of; and
4 deal in and with shares or other interests in, or
5 obligations of, any other entity;
- 6 (7) ~~[To make]~~ Make contracts and guarantees, incur
7 liabilities, borrow money, issue its notes, bonds, and
8 other obligations (which may be convertible into or
9 include the option to purchase other securities of the
10 corporation), and secure any of its obligations by
11 mortgage or pledge of any of its property, franchises,
12 or income;
- 13 (8) ~~[To lend]~~ Lend money, invest and reinvest its funds,
14 and receive and hold real and personal property as
15 security for repayment;
- 16 (9) ~~[To be]~~ Be a promoter, partner, member, associate, or
17 manager of any partnership, joint venture, trust, or
18 other entity;
- 19 (10) ~~[To conduct]~~ Conduct its business, locate offices, and
20 exercise the powers granted by this chapter within or
21 without this State;



1 (11) ~~[To elect]~~ Elect directors and appoint officers,
2 employees, and agents of the corporation, define their
3 duties, fix their compensation, and lend them money
4 and credit;

5 (12) ~~[To pay]~~ Pay pensions and establish pension plans,
6 pension trusts, profit sharing plans, share bonus
7 plans, share option plans, and benefit or incentive
8 plans for any or all of its current or former
9 directors, officers, employees, and agents;

10 (13) ~~[To make]~~ Make donations for the public welfare or for
11 charitable, scientific, or educational purposes;

12 (14) ~~[To transact]~~ Transact any lawful business that will
13 aid governmental policy; and

14 (15) ~~[To make]~~ Make payments ~~[or donations]~~, or do any
15 other act, not inconsistent with law, that furthers
16 the business and affairs of the corporation.

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



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

9 (e) A foreign corporation that is authorized to transact
10 business, is otherwise transacting business, or holds property
11 in the State shall be subject to this section. A foreign
12 corporation that directly or indirectly undertakes, finances, or
13 directs election activity or ballot-issue activity in the State
14 shall be conclusively deemed to be transacting business in the
15 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 January 1, 2027; provided that nothing in this
20 section shall authorize 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 corporate powers shall be revived, reinstated, or implied by
6 operation of law or judicial construction."

7 SECTION 7. 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[+] in a
14 proceeding by:

15 (1) [~~In a proceeding by a~~] A shareholder against the
16 corporation to enjoin the act;

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



1 power to directly or indirectly engage in election activity or
2 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 ballot question after it has been formally certified or
7 submitted to the electors of the State or any county. "Ballot-
8 issue activity" does not include any bona fide news story,
9 commentary, 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 candidate, political committee, or
14 political party.

15 "Candidate" has the same meaning as in section 11-302.

16 "Charter privilege" means any benefit that exists only
17 because the State confers it on a corporation or other entity,
18 including, without limitation, limited liability, perpetual
19 duration, succession in the corporate 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 committee, or political party. "Election
4 activity" does not include any bona fide news story, commentary,
5 or editorial distributed through the facilities of a
6 broadcasting station or of any print, online, or digital
7 newspaper, magazine, blog, or other periodical publication,
8 unless the broadcasting, print, online, or digital facility is
9 owned or controlled by a candidate, political committee, or
10 political party.

11 "Political committee" means any person, group of persons,
12 association, organization, or other entity, other than a
13 candidate or candidate committee, established and maintained by
14 a party that receives contributions or makes expenditures for
15 the purpose of influencing the nomination, election, or defeat
16 of a candidate, or the passage or defeat of a ballot measure.

17 "Political party" has the same meaning as "party" as
18 defined in section 11-302."

19 SECTION 9. Section 414D-51, 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 activity, 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 corporation's lawful business or affairs."

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

10 "~~[+]§414D-52[+]~~ **General powers.** (a) The creation and
11 continued existence of a corporation shall not be deemed a right
12 but shall be a conditional grant of legal status by this State
13 and shall remain subject to complete withdrawal at any time.
14 All powers granted to corporations under the laws of this State
15 before January 1, 2027, shall be revoked in their entirety.
16 Beginning January 1, 2027, a corporation operating under the
17 jurisdiction of this State shall possess no power unless
18 specifically granted by this section.

19 (b) Unless its articles of incorporation provide
20 otherwise, every corporation ~~[has]~~ shall have perpetual duration
21 and succession in its corporate name and ~~[has the same powers as~~



1 ~~an individual to do all things necessary or convenient to carry~~
2 ~~out its affairs]~~ shall have artificial-person powers, including,
3 without limitation, the power[+] to:

4 (1) [~~To sue~~] Sue and be sued, complain, and defend in its
5 corporate name;

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

10 (3) [~~To make~~] Make and amend bylaws, not inconsistent with
11 its articles of incorporation or with the laws of the
12 State, for regulating and managing the affairs of the
13 corporation;

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

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



- 1 (6) ~~[To purchase,]~~ Purchase, receive, subscribe for, or
2 otherwise acquire, own, hold, vote, use, sell,
3 mortgage, lend, pledge, or otherwise dispose of, and
4 deal in and with, shares or other interests in, or
5 obligations of, any entity;
- 6 (7) ~~[To make]~~ Make contracts and guaranties, incur
7 liabilities, borrow money, issue notes, bonds, and
8 other obligations, and secure any of its obligations
9 by mortgage or pledge of any of its property,
10 franchises, or income;
- 11 (8) ~~[To lend]~~ Lend money, invest and reinvest its funds,
12 and receive and hold real and personal property as
13 security for repayment, except as limited by section
14 414D-151;
- 15 (9) ~~[To be]~~ Be a promoter, partner, member, associate, or
16 manager of any partnership, joint venture, trust, or
17 other entity;
- 18 (10) ~~[To conduct]~~ Conduct its activities, locate offices,
19 and exercise the powers granted by this chapter within
20 or without this State;



- 1 (11) ~~[To elect]~~ Elect or appoint directors, officers,
2 employees, and agents of the corporation, define their
3 duties, and fix their compensation;
- 4 (12) ~~[To pay]~~ Pay pensions and establish pension plans,
5 pension trusts, and other benefit and incentive plans
6 for any or all of its current or former directors,
7 officers, employees, and agents;
- 8 (13) ~~[To make]~~ Make donations not inconsistent with law for
9 the public welfare or for charitable, religious,
10 scientific, or educational purposes, and for other
11 purposes that further the corporate interest;
- 12 (14) ~~[To impose]~~ Impose dues, assessments, admission, and
13 transfer fees upon its members;
- 14 (15) ~~[To establish]~~ Establish conditions for admission of
15 members, admit members, and issue memberships;
- 16 (16) ~~[To carry]~~ Carry on a business; and
- 17 (17) ~~[To do]~~ Do all things necessary or convenient, not
18 inconsistent with law, to further the activities and
19 affairs of the corporation.
- 20 (c) Any provision of the articles, bylaws, or other
21 organizational documents of the corporation purporting to grant



1 or confer any power to directly or indirectly engage in election
2 activity or ballot-issue activity shall be void.

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

10 (e) Any act undertaken by a corporation that constitutes
11 an election activity or ballot-issue activity shall be ultra
12 vires and void. A corporation that exercises any power not
13 granted under subsection (b) shall forfeit all charter
14 privileges as a matter of law. The director of commerce and
15 consumer affairs shall adopt rules for administrative
16 forfeiture, reinstatement upon disgorgement and certification of
17 compliance, and related civil enforcement of this section.

18 (f) Notwithstanding any other provision of this section or
19 chapter, candidate committees and noncandidate committees, as
20 defined in section 11-302, or similar committees created under
21 federal law, are entities created for the purpose of engaging in



1 election activity and ballot-issue activity, and are hereby
2 granted the power to engage in those activities; provided that
3 the committees exist solely for those purposes and claim no
4 charter privilege other than limited liability. No other
5 corporation organized under this chapter shall be granted or
6 exercise any power to engage in election activity or
7 ballot-issue activity.

8 (g) Nothing in this section shall be construed to
9 invalidate, impair, or modify any existing contract, debt
10 instrument, security, or other legal obligation validly entered
11 into before January 1, 2027; provided that nothing in this
12 section shall authorize any election activity or ballot-issue
13 activity after that date except as provided under subsection
14 (f).

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



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

3 "**§414D-54 Ultra vires.** (a) Except as provided in
4 subsection (b), the validity of corporate action may not be
5 challenged on the ground that the corporation lacks or lacked
6 power to act.

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

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

19 (d) This section shall not apply to acts that constitute
20 election activities or ballot-issue activities, which are ultra
21 vires and void pursuant to section 414D-52(e), except as



1 provided in section 414D-52(f), and may be addressed in
2 proceedings authorized by that section or by the attorney
3 general under section 414D-252."

4 PART V

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

8 "§415A- Limitations on powers. A professional
9 corporation organized under this chapter shall be subject to
10 section 414-42, including all limitations on corporate powers
11 contained in that section."

12 PART VI

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

16 "§421- Limitations on powers. An association organized
17 under this chapter shall be subject to section 414-42, including
18 all limitations on corporate powers contained in that section."

19 PART VII



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

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

7 PART VIII

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

11 "§421H- Limitations on powers. A limited-equity housing
12 cooperative organized under this chapter shall be subject to
13 section 414D-52, including all limitations on corporate powers
14 contained in that section."

15 PART IX

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

20 "§425- Election activity and ballot-issue activity;
21 limitation on limited liability privilege. (a) This section



1 shall apply only to partnerships registered as limited liability
2 partnerships under this subpart.

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

6 (c) Any act undertaken by a limited liability partnership
7 that constitutes an election activity or ballot-issue activity
8 shall be ultra vires and void. A limited liability partnership
9 that engages in either activity shall forfeit its statement of
10 qualification, including limited liability, as a matter of law.
11 The director of commerce and consumer affairs shall adopt rules
12 for administrative forfeiture, reinstatement upon disgorgement
13 and certification of compliance, and related civil enforcement
14 of this section.

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

19 (e) 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 limited liability privileges shall be revived, reinstated, or
3 implied by operation of law or judicial construction.

4 (f) For the purposes of this section:

5 "Ballot-issue activity" has the same meaning as defined in
6 section 414-3.

7 "Election activity" has the same meaning as defined in
8 section 414-3."

9 PART X

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

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

18 "Ballot-issue activity" means paying, contributing, or
19 expending money or anything of value to support or oppose a
20 constitutional amendment, county charter amendment, or other
21 ballot question after it has been formally certified or



1 submitted to the electors of the State or any county. "Ballot-
2 issue activity" does not include any bona fide news story,
3 commentary, 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 candidate, political committee, or
8 political party.

9 "Candidate" has the same meaning as in section 11-302.

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 committee, or political party. "Election
18 activity" does not include any bona fide news story, commentary,
19 or editorial distributed through the facilities of a
20 broadcasting station or of any print, online, or digital
21 newspaper, magazine, blog, or other periodical publication,



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

4 "Political committee" means any person, group of persons,
5 association, organization, or other entity, other than a
6 candidate or candidate committee, established and maintained by
7 a party that receives contributions or makes expenditures for
8 the purpose of influencing the nomination, election, or defeat
9 of a candidate, or the passage or defeat of a ballot measure.

10 "Political party" has the same meaning as "party" as
11 defined in section 11-302."

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

14 ~~"[**§425E-105**]~~ **Powers.** ~~[A limited partnership has the~~
15 ~~powers to do all things necessary or convenient to carry on its~~
16 ~~activities, including the power to sue, be sued, and defend in~~
17 ~~its own name and to maintain an action against a partner for~~
18 ~~harm caused to the limited partnership by a breach of the~~
19 ~~partnership agreement or violation of a duty to the~~
20 ~~partnership.]~~ (a) The creation and continued existence of a
21 limited partnership shall not be deemed a right but shall be a



1 conditional grant of legal status by this State and shall remain
2 subject to complete withdrawal at any time. All powers granted
3 to limited partnerships under the laws of this State before
4 January 1, 2027, shall be revoked in their entirety. Beginning
5 January 1, 2027, a limited partnership operating under the
6 jurisdiction of this State shall possess no power unless
7 specifically granted by this section. Under no circumstances
8 shall any power or activity related to election activity or
9 ballot-issue activity be deemed necessary or convenient for a
10 limited partnership's lawful business or affairs.

11 (b) A limited partnership shall have perpetual duration
12 and succession in its name. Unless its partnership agreement or
13 certificate of limited partnership provides otherwise, each
14 limited partnership shall have artificial-person powers together
15 with the powers enumerated in this chapter.

16 (c) Any provision of a partnership agreement, certificate
17 of limited partnership, or other organizational document
18 purporting to grant or confer any power to directly or
19 indirectly engage in election activity or ballot-issue activity
20 shall be void.



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

9 (e) A foreign limited partnership that is authorized to
10 transact business, is otherwise transacting business, or holds
11 property in the State shall be subject to this section. A
12 foreign limited partnership that directly or indirectly
13 undertakes, finances, or directs election activity or ballot-
14 issue activity in the State shall be conclusively deemed to be
15 transacting business in the 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 January 1, 2027; provided that nothing in this
20 section shall authorize any election activity or ballot-issue
21 activity after that date.



1 commentary, 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 candidate, political committee, or
6 political party.

7 "Candidate" has the same meaning as in section 11-302.

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

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



1 owned or controlled by a candidate, political committee, or
2 political party.

3 "Political committee" means any person, group of persons,
4 association, organization, or other entity, other than a
5 candidate or candidate committee, established and maintained by
6 a party that receives contributions or makes expenditures for
7 the purpose of influencing the nomination, election, or defeat
8 of a candidate, or the passage or defeat of a ballot measure.

9 "Political party" has the same meaning as "party" as
10 defined in section 11-302."

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

13 **"§428-111 Nature of business and powers.** (a) [~~A limited~~
14 ~~liability company may be organized under this chapter for any~~
15 ~~lawful purpose, subject to any law of this State governing or~~
16 ~~regulating business.~~] The creation and continued existence of a
17 limited liability company shall not be deemed a right but shall
18 be a conditional grant of legal status by this State and shall
19 remain subject to complete withdrawal at any time. All powers
20 granted to limited liability companies under the laws of this
21 State before January 1, 2027, shall be revoked in their



1 entirety. Beginning January 1, 2027, a limited liability
2 company operating under the jurisdiction of this State shall
3 possess no power unless specifically granted by this section.
4 Under no circumstances shall any power or activity related to
5 election activity or ballot-issue activity be deemed necessary
6 or convenient for a limited liability company's lawful business
7 or affairs.

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

- 14 (1) Sue and be sued, and defend in its company name;
15 (2) Purchase, receive, lease, or otherwise acquire, and
16 own, hold, improve, use, and otherwise deal with real
17 or personal property, or any legal or equitable
18 interest in property, wherever located;
19 (3) Sell, convey, mortgage, grant a security interest in,
20 lease, exchange, and otherwise encumber or dispose of
21 all or any part of its property;



- 1 (4) Purchase, receive, subscribe for, or otherwise
2 acquire, own, hold, vote, use, sell, mortgage, lend,
3 grant a security interest in, or otherwise dispose of
4 and deal in and with, shares or other interests in or
5 obligations of any other entity;
- 6 (5) Make contracts and guarantees, incur liabilities,
7 borrow money, issue notes, bonds, and other
8 obligations, which may be convertible into or include
9 the option to purchase other securities of the limited
10 liability company, and secure any of its obligations
11 by a mortgage on or a security interest in any of its
12 property, franchises, or income;
- 13 (6) Lend money, invest and reinvest its funds, and receive
14 and hold real and personal property as security for
15 repayment;
- 16 (7) Be a promoter, partner, member, associate, or manager
17 of any partnership, joint venture, trust, or other
18 entity;
- 19 (8) Conduct its business, locate offices, and exercise the
20 powers granted by this chapter within or without this
21 State;



- 1 (9) Elect managers and appoint officers, employees, and
2 agents of the limited liability company, define their
3 duties, fix their compensation, and lend them money
4 and credit;
- 5 (10) Pay pensions and establish pension plans, pension
6 trusts, profit sharing plans, share bonus plans, share
7 option plans, and benefit or incentive plans for any
8 or all of its current or former members, managers,
9 officers, employees, and agents;
- 10 (11) Make donations for the public welfare or for
11 charitable, scientific, or educational purposes; and
- 12 (12) Make payments [~~or donations~~], or do any other act, not
13 inconsistent with law, that furthers the business of
14 the limited liability company.
- 15 (c) Any provision of an articles of organization or other
16 organizational document purporting to grant or confer any power
17 to directly or indirectly engage in election activity or ballot-
18 issue activity shall be void.
- 19 (d) Any act undertaken by a limited liability company that
20 constitutes an election activity or ballot-issue activity shall
21 be ultra vires and void. A limited liability company that



1 exercises any power not granted under subsection (b) shall
2 forfeit all charter privileges as a matter of law. The director
3 of commerce and consumer affairs shall adopt rules for
4 administrative forfeiture, reinstatement upon disgorgement and
5 certification of compliance, and related civil enforcement of
6 this section.

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

14 (f) Nothing in this section shall be construed to
15 invalidate, impair, or modify any existing contract, debt
16 instrument, security, or other legal obligation validly entered
17 into before January 1, 2027; provided that nothing in this
18 section shall authorize any election activity or ballot-issue
19 activity after that date.

20 (g) If any provision of this section, or its application
21 to any person or circumstance, is held invalid or



1 unconstitutional, the remaining provisions and applications that
2 are severable shall remain in effect, and no prior grant of
3 powers to limited liability companies shall be revived,
4 reinstated, or implied by operation of law or judicial
5 construction."

6 PART XII

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

10 **"§429- Powers of nonprofit associations. (a) The**
11 creation and continued existence of a nonprofit association
12 shall not be deemed a right but shall be a conditional grant of
13 legal status by this State and shall remain subject to complete
14 withdrawal at any time. All powers granted to nonprofit
15 associations under the laws of this State before January 1,
16 2027, shall be revoked in their entirety. Beginning January 1,
17 2027, a nonprofit association operating under the jurisdiction
18 of this State shall possess no power unless specifically granted
19 by this section. Under no circumstances shall any election
20 activity or ballot-issue activity be deemed necessary or



1 convenient for a nonprofit association's lawful purpose or
2 affairs.

3 (b) Unless its governing principles provide otherwise,
4 each nonprofit association shall have artificial-person powers,
5 together with the powers enumerated in this chapter.

6 (c) Any provision of the nonprofit association's governing
7 principles, articles of association, bylaws, or similar
8 documents purporting to grant or confer any power to directly or
9 indirectly engage in election activity or ballot-issue activity
10 shall be void.

11 (d) Any act undertaken by a nonprofit association that
12 constitutes an election activity or ballot-issue activity shall
13 be ultra vires and void. A nonprofit association that exercises
14 any power not granted under subsection (b) shall forfeit all
15 charter privileges as a matter of law. The director of commerce
16 and consumer affairs shall adopt rules for administrative
17 forfeiture, reinstatement upon disgorgement and certification of
18 compliance, and related civil enforcement of this section.

19 (e) A foreign unincorporated nonprofit association that is
20 authorized to transact business, is otherwise transacting
21 business, or holds property in the State shall be subject to



1 this section. A foreign unincorporated nonprofit association
2 that directly or indirectly undertakes, finances, or directs
3 election activity or ballot-issue activity in the State shall be
4 conclusively deemed to be transacting business in the State.

5 (f) Nothing in this section shall be construed to
6 invalidate, impair, or modify any existing contract, debt
7 instrument, security, or other legal obligation validly entered
8 into before January 1, 2027; provided that nothing in this
9 section shall authorize any election activity or ballot-issue
10 activity after that date.

11 (g) If any provision of this section, or its application
12 to any person or circumstance, is held invalid or
13 unconstitutional, the remaining provisions and applications that
14 are severable shall remain in effect, and no prior grant of
15 powers to nonprofit associations shall be revived, reinstated,
16 or implied by operation of law or judicial construction."

17 SECTION 22. Section 429-1, Hawaii Revised Statutes, is
18 amended by adding seven new definitions to be appropriately
19 inserted and to read as follows:

20 "Artificial-person powers" means the same powers as an
21 individual to do all things necessary or convenient to carry out



1 the nonprofit association's lawful purposes and activities,
2 excluding any power to directly or indirectly engage in election
3 activity or ballot-issue activity.

4 "Ballot-issue activity" means paying, contributing, or
5 expending money or anything of value to support or oppose a
6 constitutional amendment, county charter amendment, or other
7 ballot question after it has been formally certified or
8 submitted to the electors of the State or any county. "Ballot-
9 issue activity" does not include any bona fide news story,
10 commentary, 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 candidate, political committee, or
15 political party.

16 "Candidate" has the same meaning as in section 11-302.

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



1 unconstitutional, the remaining provisions and applications that
2 are severable shall remain in effect. Further, no prior grant
3 of powers to entities covered by this Act shall be revived,
4 reinstated, or implied by operation of law or judicial
5 construction, and nothing in this Act shall be construed to
6 authorize broader powers than are expressly conferred herein.

7 SECTION 24. Statutory material to be repealed is bracketed
8 and stricken. New statutory material is underscored.

9 SECTION 25. This Act shall take effect on July 1, 3000.



Report Title:

Business Entities; State-Chartered Credit Unions; Corporations; Nonprofit Corporations; Professional Corporations; Agricultural Cooperative Associations; Consumer Cooperative Associations; Limited-Equity Housing Cooperatives; Limited Liability Partnerships; Limited Partnerships; Limited Liability Companies; Nonprofit Associations; Election Activities; Ballot-Issue Activities; Limitations

Description:

Reaffirms that artificial persons created under state law possess only those powers that are necessary or convenient to carry out lawful 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 entity powers and regrants only those powers that the State determines to be necessary or convenient to conduct lawful business under the Hawaii State Constitution and laws of this State. Effective 7/1/3000. (HD2)

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

