
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) Establish penalties for violations.

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



1 PART II

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

5 "§412:10- Limitations on powers. A credit union
6 chartered under this part shall be subject to section 414-42
7 with respect to the limitations on corporate powers contained in
8 that section."

9 PART III

10 SECTION 4. Section 414-3, Hawaii Revised Statutes, is
11 amended by adding seven new definitions to be appropriately
12 inserted 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 corporation's lawful business and affairs, excluding any
16 power to directly or indirectly engage in election activity or
17 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.
2 "Ballot-issue activity" does not include any bona fide news
3 story, commentary, or editorial distributed through the
4 facilities of a broadcasting station or of any print, online, or
5 digital newspaper, magazine, blog, or other periodical
6 publication, unless the broadcasting, print, online, or digital
7 facility is owned or controlled by a candidate, political
8 committee, or political party.

9 "Candidate" and "candidate committee" have the same
10 meanings as defined in section 11-302.

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

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



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

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

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

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

15 "(a) Every corporation incorporated under this chapter has
16 the purpose of engaging in any lawful business, not including
17 election activity or ballot-issue activity, unless a more
18 limited purpose is set forth in the articles of incorporation.
19 Under no circumstances shall any power or activity related to
20 election activity or ballot-issue activity be deemed necessary



1 or convenient for a corporation's lawful business purpose or
2 affairs."

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

5 "[~~§~~414-42~~§~~] **General powers.** (a) The creation and
6 continued existence of a corporation shall not be deemed a right
7 but shall be a conditional grant of legal status by this State
8 and shall remain subject to complete withdrawal at any time.

9 (b) Beginning July 1, 2027, a corporation operating under
10 the jurisdiction of this State shall not have the power to
11 expend moneys on or participate in any election activity or
12 ballot-issue activity. Under no circumstances shall any
13 election activity or ballot-issue activity be deemed necessary
14 or convenient for a corporation's lawful purpose or affairs.

15 (c) Unless its articles of incorporation provide
16 otherwise, every corporation [~~has~~] shall have perpetual duration
17 and succession in its corporate name and [~~has the same powers as~~
18 ~~an individual to do all things necessary or convenient to carry~~
19 ~~out its business and affairs,~~] shall have artificial-person
20 powers, including, without limitation, the power~~+~~ to:



- 1 (1) ~~[To sue]~~ Sue and be sued, complain, and defend in its
2 corporate name;
- 3 (2) ~~[To have]~~ Have a corporate seal, which may be altered
4 at will, and ~~[to]~~ use it, or a facsimile of it, by
5 impressing or affixing it or in any other manner
6 reproducing it;
- 7 (3) ~~[To make]~~ Make and amend bylaws, not inconsistent with
8 its articles of incorporation or with the laws of this
9 State, for managing the business and regulating the
10 affairs of the corporation;
- 11 (4) ~~[To purchase,]~~ Purchase, receive, lease, or otherwise
12 acquire, and own, hold, improve, use, and otherwise
13 deal with, real or personal property, or any legal or
14 equitable interest in property, wherever located;
- 15 (5) ~~[To sell,]~~ Sell, convey, mortgage, pledge, lease,
16 exchange, and otherwise dispose of all or any part of
17 its property;
- 18 (6) ~~[To purchase,]~~ Purchase, receive, subscribe for, or
19 otherwise acquire; own, hold, vote, use, sell,
20 mortgage, lend, pledge, or otherwise dispose of; and



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



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

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

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

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

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

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

20 (e) Any act undertaken by a corporation that constitutes
21 an election activity or ballot-issue activity shall be ultra



1 vires and void. A corporation that exercises any power in
2 violation of this subsection may be subject to any applicable
3 sanctions or penalties pursuant to section A-1.

4 (f) A foreign corporation shall have no greater rights or
5 privileges than, and shall be subject to the same duties,
6 restrictions, penalties, and liabilities as, a domestic
7 corporation as provided in section 414-435. A foreign
8 corporation that is authorized to transact business, is
9 otherwise transacting business, or holds property in the State
10 shall be subject to this section. A foreign corporation that
11 directly or indirectly undertakes, finances, or directs election
12 activity or ballot-issue activity in the State shall be
13 conclusively deemed to be transacting business in the State and
14 shall be subject to any applicable penalties or sanctions. If a
15 final judgment, no longer subject to appeal, by a court of
16 competent jurisdiction limits, invalidates, or enjoins the
17 operation of this subsection, in whole or in part, in any
18 respect, including as applied to any person, entity, or
19 circumstance, or renders this subsection as having no legal
20 effect, in whole or in part, in any respect, including as
21 applied to any person, entity, or circumstance, as of the entry



1 of such judgment, then the entirety of Act _____, Session Laws of
2 Hawaii 2026, shall be deemed invalid and have no force or
3 effect."

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~~[+]~~ in a
11 proceeding by:

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

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

19 (3) [~~In a proceeding by the~~] The attorney general under
20 section 414-411.



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

7 (d) This section shall not apply to acts that constitute
8 election activities or ballot-issue activities, which are ultra
9 vires and void pursuant to section 414-42(e)."

10 PART IV

11 SECTION 8. Section 414D-14, Hawaii Revised Statutes, is
12 amended by adding seven 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 corporation's lawful purposes and activities, excluding any
17 power to directly or indirectly engage in election activity or
18 ballot-issue activity.

19 "Ballot-issue activity" means paying, contributing, or
20 expending money or anything of value to support or oppose a
21 constitutional amendment, county charter amendment, or other



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

10 "Candidate" and "candidate committee" have the same
11 meanings as defined in section 11-302.

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

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



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

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

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

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

16 "(a) Every corporation incorporated under this chapter has
17 the purpose of engaging in any lawful activity, not including
18 election activity or ballot-issue activity, unless a more
19 limited purpose is set forth in the articles of incorporation.
20 Under no circumstances shall any power or activity related to



1 election activity or ballot-issue activity be deemed necessary
2 or convenient for a corporation's lawful business or affairs."

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

5 "[~~§~~414D-52~~§~~] **General powers.** (a) The creation and
6 continued existence of a corporation shall not be deemed a right
7 but shall be a conditional grant of legal status by this State
8 and shall remain subject to complete withdrawal at any time.

9 (b) Beginning July 1, 2027, a corporation operating under
10 the jurisdiction of this State shall not have the power to
11 expend moneys on or participate in any election activity or
12 ballot-issue activity. Under no circumstances shall any
13 election activity or ballot-issue activity be deemed necessary
14 or convenient for a corporation's lawful purpose or affairs.

15 (c) Unless its articles of incorporation provide
16 otherwise, every corporation [~~has~~] shall have perpetual duration
17 and succession in its corporate name and [~~has the same powers as~~
18 ~~an individual to do all things necessary or convenient to carry~~
19 ~~out its affairs] shall have artificial-person powers, including,
20 without limitation, the power[+] to:~~



- 1 (1) ~~[To sue]~~ Sue and be sued, complain, and defend in its
2 corporate name;
- 3 (2) ~~[To have]~~ Have a corporate seal, which may be altered
4 at will, and ~~[to]~~ use it, or a facsimile of it, by
5 impressing or affixing or in any other manner
6 reproducing it;
- 7 (3) ~~[To make]~~ Make and amend bylaws, not inconsistent with
8 its articles of incorporation or with the laws of the
9 State, for regulating and managing the affairs of the
10 corporation;
- 11 (4) ~~[To purchase,]~~ Purchase, receive, lease, or otherwise
12 acquire, and own, hold, improve, use, and otherwise
13 deal with, real or personal property, or any legal or
14 equitable interest in property, wherever located;
- 15 (5) ~~[To sell,]~~ Sell, convey, mortgage, pledge, lease,
16 exchange, and otherwise dispose of all or any part of
17 its property;
- 18 (6) ~~[To purchase,]~~ Purchase, receive, subscribe for, or
19 otherwise acquire, own, hold, vote, use, sell,
20 mortgage, lend, pledge, or otherwise dispose of, and



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



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



1 (e) A foreign corporation shall have no greater rights or
2 privileges than, and shall be subject to the same duties,
3 restrictions, penalties, and liabilities as, a domestic
4 corporation as provided in section 414D-275. A foreign
5 corporation that is authorized to transact business, is
6 otherwise transacting business, or holds property in the State
7 shall be subject to this section. A foreign corporation that
8 directly or indirectly undertakes, finances, or directs election
9 activity or ballot-issue activity in the State shall be
10 conclusively deemed to be transacting business in the State and
11 shall be subject to any applicable penalties or sanctions. If a
12 final judgment, no longer subject to appeal, by a court of
13 competent jurisdiction limits, invalidates, or enjoins the
14 operation of this subsection, in whole or in part, in any
15 respect, including as applied to any person, entity, or
16 circumstance, or renders this subsection as having no legal
17 effect, in whole or in part, in any respect, including as
18 applied to any person, entity, or circumstance, as of the entry
19 of such judgment, then the entirety of Act , Session Laws of
20 Hawaii 2026, shall be deemed invalid and have no force or
21 effect.



1 (f) 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 in
4 violation of this subsection may be subject to any applicable
5 sanctions or penalties pursuant to section A-1.

6 (g) Notwithstanding any other provision of this section or
7 chapter, candidate committees and noncandidate committees, as
8 defined in section 11-302, or similar committees created under
9 federal law, are entities created for the purpose of engaging in
10 election activity and ballot-issue activity and are hereby
11 granted the power to engage in those activities; provided that
12 the committees exist solely for those purposes and claim no
13 charter privilege other than limited liability. No other
14 corporation organized under this chapter shall be granted or
15 shall exercise any power to engage in election activity or
16 ballot-issue activity."

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

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



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

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

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

15 (d) This section shall not apply to acts that constitute
16 election activities or ballot-issue activities, which are ultra
17 vires and void pursuant to section 414D-52(f), except as
18 provided in section 414D-52(g)."

19 PART V



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

4 "§415A- Limitations on powers. A professional
5 corporation organized under this chapter shall be subject to
6 section 414-42, including all limitations on corporate powers
7 contained in that section."

8 PART VI

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

12 "§421- Limitations on powers. An association organized
13 under this chapter shall be subject to section 414-42, including
14 all limitations on corporate powers contained in that section."

15 PART VII

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

19 "§421C- Limitations on powers. An association organized
20 under this chapter shall be subject to section 414-42, including
21 all limitations on corporate powers contained in that section."



1 PART VIII

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

5 "§421H- Limitations on powers. A limited-equity housing
6 cooperative organized under this chapter shall be subject to
7 section 414D-52, including all limitations on corporate powers
8 contained in that section."

9 PART IX

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

14 "§425- Election activity and ballot-issue activity;
15 limitation on limited liability privilege. (a) This section
16 shall apply only to partnerships registered as limited liability
17 partnerships under this subpart.

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



1 (c) Any act undertaken by a limited liability partnership
2 that constitutes an election activity or ballot-issue activity
3 shall be ultra vires and void. A limited liability partnership
4 that exercises any power in violation of this subsection may be
5 subject to any applicable sanctions or penalties pursuant to
6 section A-1.

7 (d) A foreign limited liability partnership shall have no
8 greater rights or privileges than, and shall be subject to the
9 same duties, restrictions, penalties, and liabilities as, a
10 domestic limited liability partnership as provided in section
11 425-3. A foreign limited liability partnership that is
12 authorized to transact business, is otherwise transacting
13 business, or holds property in the State shall be subject to
14 this section. A foreign limited liability partnership that
15 directly or indirectly undertakes, finances, or directs election
16 activity or ballot-issue activity in the State shall be
17 conclusively deemed to be transacting business in the State and
18 shall be subject to any applicable penalties or sanctions. If a
19 final judgment, no longer subject to appeal, by a court of
20 competent jurisdiction limits, invalidates, or enjoins the
21 operation of this subsection, in whole or in part, in any



1 respect, including as applied to any person, entity, or
2 circumstance, or renders this subsection as having no legal
3 effect, in whole or in part, in any respect, including as
4 applied to any person, entity, or circumstance, as of the entry
5 of such judgment, then the entirety of Act _____, Session Laws of
6 Hawaii 2026, shall be deemed invalid and have no force or
7 effect.

8 (e) For the purposes of this section:

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

11 "Election activity" has the same meaning as defined in
12 section 414-3."

13 PART X

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

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



1 "Ballot-issue activity" means paying, contributing, or
2 expending money or anything of value to support or oppose a
3 constitutional amendment, county charter amendment, or other
4 ballot question after it has been formally certified or
5 submitted to the electors of the State or any county.

6 "Ballot-issue activity" does not include any bona fide news
7 story, commentary, or editorial distributed through the
8 facilities of a broadcasting station or of any print, online, or
9 digital newspaper, magazine, blog, or other periodical
10 publication, unless the broadcasting, print, online, or digital
11 facility is owned or controlled by a candidate, political
12 committee, or political party.

13 "Candidate" and "candidate committee" have the same
14 meanings as defined in section 11-302.

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

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



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

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

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

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

19 **"~~[+]S425E-105[+]~~ Powers.** ~~[A limited partnership has the~~
20 ~~powers to do all things necessary or convenient to carry on its~~
21 ~~activities, including the power to sue, be sued, and defend in~~



1 ~~its own name and to maintain an action against a partner for~~
2 ~~harm caused to the limited partnership by a breach of the~~
3 ~~partnership agreement or violation of a duty to the~~
4 ~~partnership.]~~ (a) The creation and continued existence of a

5 limited partnership shall not be deemed a right but shall be a
6 conditional grant of legal status by this State and shall remain
7 subject to complete withdrawal at any time.

8 (b) Beginning July 1, 2027, a limited partnership
9 operating under the jurisdiction of this State shall not have
10 the power to expend moneys on or participate in any election
11 activity or ballot-issue activity. Under no circumstances shall
12 any power or activity related to election activity or ballot-
13 issue activity be deemed necessary or convenient for a limited
14 partnership's lawful business or affairs.

15 (c) A limited partnership shall have perpetual duration
16 and succession in its name. Unless its partnership agreement or
17 certificate of limited partnership provides otherwise, each
18 limited partnership shall have artificial-person powers together
19 with the powers enumerated in this chapter.

20 (d) Any provision of a partnership agreement, certificate
21 of limited partnership, or other organizational document



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

4 (e) Any act undertaken by a limited partnership that
5 constitutes an election activity or ballot-issue activity shall
6 be ultra vires and void. A limited partnership that exercises
7 any power in violation of this subsection may be subject to any
8 applicable sanctions or penalties pursuant to section A-1.

9 (f) A foreign limited partnership shall have no greater
10 rights or privileges than, and shall be subject to the same
11 duties, restrictions, penalties, and liabilities as, a domestic
12 limited partnership as provided in section 425E-901. A foreign
13 limited partnership that is authorized to transact business, is
14 otherwise transacting business, or holds property in the State
15 shall be subject to this section. A foreign limited partnership
16 that directly or indirectly undertakes, finances, or directs
17 election activity or ballot-issue activity in the State shall be
18 conclusively deemed to be transacting business in the State and
19 shall be subject to any applicable penalties or sanctions. If a
20 final judgment, no longer subject to appeal, by a court of
21 competent jurisdiction limits, invalidates, or enjoins the



1 operation of this subsection, in whole or in part, in any
2 respect, including as applied to any person, entity, or
3 circumstance, or renders this subsection as having no legal
4 effect, in whole or in part, in any respect, including as
5 applied to any person, entity, or circumstance, as of the entry
6 of such judgment, then the entirety of Act _____, Session Laws of
7 Hawaii 2026, shall be deemed invalid and have no force or
8 effect."

9 PART XI

10 SECTION 19. Section 428-101, Hawaii Revised Statutes, is
11 amended by adding seven new definitions to be appropriately
12 inserted 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 liability company's lawful business and affairs,
16 excluding any power to directly or indirectly engage in election
17 activity 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.
2 "Ballot-issue activity" does not include any bona fide news
3 story, commentary, or editorial distributed through the
4 facilities of a broadcasting station or of any print, online, or
5 digital newspaper, magazine, blog, or other periodical
6 publication, unless the broadcasting, print, online, or digital
7 facility is owned or controlled by a candidate, political
8 committee, or political party.

9 "Candidate" and "candidate committee" have the same
10 meanings as defined in section 11-302.

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

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



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

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

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

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

15 **"§428-111 Nature of business and powers.** [~~(a)~~—A limited
16 liability company may be organized under this chapter for any
17 lawful purpose, subject to any law of this State governing or
18 regulating business.

19 ~~(b)]~~ (a) The creation and continued existence of a limited
20 liability company 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.

3 (b) Beginning July 1, 2027, a limited liability company
4 operating under the jurisdiction of this State shall not have
5 the power to expend moneys on or participate in any election
6 activity or ballot-issue activity. Under no circumstances shall
7 any power or activity related to election activity or ballot-
8 issue activity be deemed necessary or convenient for a limited
9 liability company's lawful business or affairs.

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

- 16 (1) Sue and be sued, and defend in its company name;
- 17 (2) Purchase, receive, lease, or otherwise acquire, and
18 own, hold, improve, use, and otherwise deal with real
19 or personal property, or any legal or equitable
20 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.
- 18 (d) Any provision of an articles of organization or other
19 organizational document purporting to grant or confer any power
20 to directly or indirectly engage in election activity or
21 ballot-issue activity shall be void.



1 (e) Any act undertaken by a limited liability company that
2 constitutes an election activity or ballot-issue activity shall
3 be ultra vires and void. A limited liability company that
4 exercises any power in violation of this subsection may be
5 subject to any applicable sanctions or penalties pursuant to
6 section B-1.

7 (f) A foreign limited liability company shall have no
8 greater rights or privileges than, and shall be subject to the
9 same duties, restrictions, penalties, and liabilities as, a
10 domestic limited liability company as provided in section
11 428-1001. A foreign limited liability company that is
12 authorized to transact business, is otherwise transacting
13 business, or holds property in the State shall be subject to
14 this section. A foreign limited liability company that directly
15 or indirectly undertakes, finances, or directs election activity
16 or ballot-issue activity in the State shall be conclusively
17 deemed to be transacting business in the State and shall be
18 subject to any applicable penalties or sanctions. If a final
19 judgment, no longer subject to appeal, by a court of competent
20 jurisdiction limits, invalidates, or enjoins the operation of
21 this subsection, in whole or in part, in any respect, including



1 as applied to any person, entity, or circumstance, or renders
2 this subsection as having no legal effect, in whole or in part,
3 in any respect, including as applied to any person, entity, or
4 circumstance, as of the entry of such judgment, then the
5 entirety of Act _____, Session Laws of Hawaii 2026, shall be
6 deemed invalid and have no force or effect."

7 PART XII

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

11 "§429- Powers of nonprofit associations. (a) The
12 creation and continued existence of a nonprofit association
13 shall not be deemed a right but shall be a conditional grant of
14 legal status by this State and shall remain subject to complete
15 withdrawal at any time.

16 (b) Beginning July 1, 2027, a nonprofit association
17 operating under the jurisdiction of this State shall not have
18 the power to expend moneys on or participate in any election
19 activity or ballot-issue activity. Under no circumstances shall
20 any election activity or ballot-issue activity be deemed



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

3 (c) 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 (d) 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 (e) 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 in violation of this subsection may be subject to any
15 applicable sanctions or penalties pursuant to section B-1.

16 (f) A foreign nonprofit association shall have no greater
17 rights or privileges than, and shall be subject to the same
18 duties, restrictions, penalties, and liabilities as, a domestic
19 nonprofit association as provided in this section. A foreign
20 nonprofit association that is authorized to transact business,
21 is otherwise transacting business, or holds property in the



1 State shall be subject to this section. A foreign nonprofit
2 association that directly or indirectly undertakes, finances, or
3 directs election activity or ballot-issue activity in the State
4 shall be conclusively deemed to be transacting business in the
5 State and shall be subject to any applicable penalties or
6 sanctions as provided in subsection (e). If a final judgment,
7 no longer subject to appeal, by a court of competent
8 jurisdiction limits, invalidates, or enjoins the operation of
9 this subsection, in whole or in part, in any respect, including
10 as applied to any person, entity, or circumstance, or renders
11 this subsection as having no legal effect, in whole or in part,
12 in any respect, including as applied to any person, entity, or
13 circumstance, as of the entry of such judgment, then the
14 entirety of Act _____, Session Laws of Hawaii 2026, shall be
15 deemed invalid and have no force or effect."

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

19 "Artificial-person powers" means the same powers as an
20 individual to do all things necessary or convenient to carry out
21 the nonprofit association's lawful purposes and activities,



1 excluding any power to directly or indirectly engage in election
2 activity or ballot-issue activity.

3 "Ballot-issue activity" means paying, contributing, or
4 expending money or anything of value to support or oppose a
5 constitutional amendment, county charter amendment, or other
6 ballot question after it has been formally certified or
7 submitted to the electors of the State or any county.

8 "Ballot-issue activity" does not include any bona fide news
9 story, commentary, or editorial distributed through the
10 facilities of a broadcasting station or of any print, online, or
11 digital newspaper, magazine, blog, or other periodical
12 publication, unless the broadcasting, print, online, or digital
13 facility is owned or controlled by a candidate, political
14 committee, or political party.

15 "Candidate" and "candidate committee" have the same
16 meanings 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 SECTION 23. The Hawaii Revised Statutes is amended by
2 adding a new chapter to title 23 to be appropriately designated
3 and to read as follows:

4 "CHAPTER A

5 ENFORCEMENT OF ARTIFICIAL PERSON POWERS LIMITATIONS

6 §A-1 Enforcement; penalties. The attorney general or the
7 director of commerce and consumer affairs may impose penalties
8 or bring an action, as applicable, for an ultra vires act by an
9 entity organized or authorized to transact business pursuant to
10 title 23 as follows:

- 11 (1) Temporary suspension of the entity's authority to
12 operate in the State, transact business in the State,
13 or otherwise exercise its lawful purposes in the
14 State;
- 15 (2) Prohibition of the entity from entering into or
16 continuing in a state public procurement contract
17 pursuant to chapter 103D;
- 18 (3) Revocation of the entity's state tax exempt status, as
19 applicable;
- 20 (4) Designation of the entity as a non-compliant entity or
21 requirement of additional reporting;



1 (5) Revocation of the entity's charter, certificate, or
2 other instrument authorizing the entity to operate in
3 the State, transact business in the State, or
4 otherwise exercise its lawful purposes in the State;
5 and

6 (6) Involuntary dissolution of the entity in the State."

7 SECTION 24. The Hawaii Revised Statutes is amended by
8 adding a new chapter to title 23A to be appropriately designated
9 and to read as follows:

10 "CHAPTER B

11 ENFORCEMENT OF ARTIFICIAL PERSON POWERS LIMITATIONS

12 §B-1 Enforcement; penalties. The attorney general or the
13 director of commerce and consumer affairs may impose penalties
14 or bring an action, as applicable, for an ultra vires act by an
15 entity organized or authorized to transact business pursuant to
16 title 23A as follows:

17 (1) Temporary suspension of the entity's authority to
18 operate in the State, transact business in the State,
19 or otherwise exercise its lawful purposes in the
20 State;



- 1 (2) Prohibition of the entity from entering into or
2 continuing in a state public procurement contract
3 pursuant to chapter 103D;
- 4 (3) Revocation of the entity's state tax exempt status, as
5 applicable;
- 6 (4) Designation of the entity as a non-compliant entity or
7 requirement of additional reporting;
- 8 (5) Revocation of the entity's charter, certificate, or
9 other instrument authorizing the entity to operate in
10 the State, transact business in the State, or
11 otherwise exercise its lawful purposes in the State;
12 and
- 13 (6) Involuntary dissolution of the entity in the State."

14 PART XIV

15 SECTION 25. (a) If any provision of this Act, or its
16 application to any person or circumstance, is held invalid or
17 unconstitutional, the remaining provisions and applications that
18 are severable shall remain in effect.

19 (b) A power, privilege, or capacity that this Act does not
20 confer, recognize, or extend or that this Act withdraws or
21 clarifies to be outside the powers of an artificial person may



1 not be reviewed, revived, reinstated, implied, or deemed
2 conferred by operation of law or judicial construction.

3 (c) Notwithstanding subsection (a), if any provision of
4 this Act is held invalid, no provision of this Act shall be
5 construed, severed, or applied to confer, recognize, revive,
6 reinstate, or imply any power of an artificial person to engage
7 in election activity or ballot-issue activity. If invalidation
8 of any provision would otherwise result in an artificial person
9 acquiring, retaining, reviving, or being deemed to possess any
10 power to engage in election activity or ballot-issue activity,
11 the grant, recognition, extension, or preservation of powers,
12 privileges, or capacities to the affected class of artificial
13 persons under the affected section, chapter, or statutory cross-
14 reference is inseverable from the invalid provision and shall
15 have no force or effect. The legislature would not have enacted
16 any grant, recognition, or preservation of artificial person
17 powers that includes any power to engage in election activity or
18 ballot-issue activity.

19 SECTION 26. Statutory material to be repealed is bracketed
20 and stricken. New statutory material is underscored.



1 SECTION 27. This Act shall take effect on July 1, 2027.



Report Title:

AG; DCCA; 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; Election Activities; Ballot-Issue Activities; Limitations; Penalties

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. Authorizes the Attorney General and the Director of Commerce and Consumer Affairs to impose certain penalties for violations. Effective 7/1/2027. (CD2)

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

