THE SENATE
THIRTY-THIRD LEGISLATURE, 2026
STATE OF HAWAII

S.B. NO. 2471 S.D. 1

A BILL FOR AN ACT

RELATING TO THE POWERS OF ARTIFICIAL PERSONS.

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

PART I

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

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

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

The Legislature further finds that the federal prohibition on 501(c)(3) nonprofit corporation electioneering has been upheld in federal courts on the basis that those entities receive the benefit of favorable tax settings. This principle also applies to entities chartered in the State, which receive the benefits of favorable tax settings and limited liability protections under state law.

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

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

SECTION 2. This Act applies to all entities organized under the laws of this State unless expressly identified in statute as a public body corporate and politic. Nothing in this

Act shall apply to any agency or instrumentality of the State or its political subdivisions.

PART II

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

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

PART III

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

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

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

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

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

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

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

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

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

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

"**[~~†~~]§414-42[~~†~~] General powers.** (a) The creation and continued existence of a corporation is not a right but a conditional grant of legal status by the State and remains subject to complete withdrawal at any time. All powers previously granted to corporations under the laws of this State are revoked in their entirety. A corporation operating under

the jurisdiction of this State shall possess no power unless specifically granted by this section.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(e) Nothing in this section shall be construed to invalidate, impair, or modify any existing contract, debt instrument, security, or other legal obligation validly entered into before January 1, 2027; provided that nothing herein shall

authorize any election activity or ballot-issue activity after that date.

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

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

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

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

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

(2) In a proceeding by the corporation, directly, derivatively, or through a receiver, trustee, or other legal representative, against an incumbent or former

director, officer, employee, or agent of the corporation; or

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

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

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

PART IV

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

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

the corporation's lawful charitable or public-benefit purposes and activities, excluding any power to directly or indirectly engage in election activity or ballot-issue activity.

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

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

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

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

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

"(a) Every corporation incorporated under this chapter has the purpose of engaging in any lawful charitable or public-benefit activity, not including election activity or ballot-issue activity, unless a more limited purpose is set forth in the articles of incorporation. Under no circumstances shall any power or activity related to election activity or ballot-issue activity be deemed necessary or convenient for a corporation's lawful business or affairs."

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

"**[~~[~~]§414D-52[~~]~~] General powers.** (a) The creation and continued existence of a corporation is not a right but a

conditional grant of legal status by the State and remains subject to complete withdrawal at any time. All powers previously granted to corporations under the laws of this State are revoked in their entirety. A corporation operating under the jurisdiction of this State shall possess no power unless specifically granted by this section.

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

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

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

(3) To make and amend bylaws, not inconsistent with its articles of incorporation or with the laws of the

State, for regulating and managing the affairs of the corporation;

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

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

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

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

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

security for repayment, except as limited by section 414D-151;

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

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

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

(12) To pay pensions and establish pension plans, pension trusts, and other benefit and incentive plans for any or all of its current or former directors, officers, employees, and agents;

(13) To make donations not inconsistent with law for the public welfare or for charitable, religious, scientific, or educational purposes, and for other purposes that further the corporate interest;

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

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

(16) To carry on a business;

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

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

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

(e) Notwithstanding any other provision of this section or chapter, candidate committees and noncandidate committees, as

defined in section 11-302, or similar committees created pursuant under federal law, are entities created for the purpose of engaging in election activity and ballot-issue activity, and are hereby granted the power to engage in those activities; provided that the committees exist solely for those purposes and claim no charter privilege other than limited liability. No other corporation organized under this chapter shall be granted or exercise any power to engage in election activity or ballot-issue activity.

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

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

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

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

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

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

(d) This section shall not apply to acts that constitute election activities or ballot-issue activities, which are ultra vires and void under section 414D-52(d) and may be addressed in

proceedings authorized by that section or by the attorney general under section 414D-252."

PART V

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

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

PART VI

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

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

PART VII

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

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

PART VIII

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

"**§421H- Limitations on powers.** A limited-equity housing cooperative organized under this chapter shall be subject to section 414-42, including all limitations on corporate powers contained in that section."

PART IX

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

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

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

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

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

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

PART X

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

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

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

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

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

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

"**[~~[~~]§425E-105[~~]~~] Powers.** [~~A limited partnership has the powers to do all things necessary or convenient to carry on its activities, including the power to sue, be sued, and defend in its own name and to maintain an action against a partner for harm caused to the limited partnership by a breach of the~~

~~partnership agreement or violation of a duty to the partnership.~~] (a) The creation and continued existence of a limited partnership is not a right but a conditional grant of legal status by the State and remains subject to complete withdrawal at any time. All powers previously granted to corporations under the laws of this State are revoked in their entirety. A limited partnership operating under the jurisdiction of this State shall possess no power unless specifically granted by this section. Under no circumstances shall any power or activity related to election activity or ballot issue activity be deemed necessary or convenient for a limited partnership's lawful business or affairs.

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

(c) Any provision of a partnership agreement, certificate of limited partnership, or other organizational document purporting to grant or confer any power to directly or

indirectly engage in election activity or ballot-issue activity is void.

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

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

(f) If any provision of this section, or its application to any person or circumstance, is held invalid or unconstitutional, the remaining provisions and applications that are severable shall remain in effect, and no prior grant of

powers to limited partnerships shall be revived, reinstated, or implied by operation of law or judicial construction."

PART XI

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

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

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

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

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

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

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

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

~~regulating business.~~] The creation and continued existence of a limited liability company is not a right but a conditional grant of legal status by the State and remains subject to complete withdrawal at any time. All powers previously granted to limited liability companies under the laws of this State are revoked in their entirety. A limited liability company operating under the jurisdiction of this State shall possess no power unless specifically granted by this section. Under no circumstances shall any power or activity related to election activity or ballot-issue activity be deemed necessary or convenient for a limited liability company's lawful business or affairs.

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

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

(2) Purchase, receive, lease, or otherwise acquire, and own, hold, improve, use, and otherwise deal with real

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

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

(4) Purchase, receive, subscribe for, or otherwise acquire, own, hold, vote, use, sell, mortgage, lend, grant a security interest in, or otherwise dispose of and deal in and with, shares or other interests in or obligations of any other entity;

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

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

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

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

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

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

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

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

PART XII

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

"**§429- Powers of nonprofit associations.** (a) The creation and continued existence of a nonprofit association is not a right but a conditional grant of legal status by the State and remains subject to complete withdrawal at any time. All powers previously granted to corporations under the laws of this State are revoked in their entirety. A nonprofit association operating under the jurisdiction of this State shall possess no power unless specifically granted by this section. Under no circumstances shall any election activity or ballot-issue activity be deemed necessary or convenient for a nonprofit association's lawful purpose or affairs.

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

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

indirectly engage in election activity or ballot-issue activity is void.

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

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

(f) If any provision of this section, or its application to any person or circumstance, is held invalid or unconstitutional, the remaining provisions and applications that are severable shall remain in effect, and no prior grant of

powers to nonprofit associations shall be revived, reinstated, or implied by operation of law or judicial construction."

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

""Artificial-person powers" means the same powers as an individual to do all things necessary or convenient to carry out the unincorporated nonprofit association's lawful purposes and activities, excluding any power to directly or indirectly engage in election activity or ballot-issue activity.

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

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

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

PART XIII

SECTION 23. If any provision of this Act, or its application to any person or circumstance, is held invalid or unconstitutional, the remaining provisions and applications that are severable shall remain in effect. Further, no prior grant of powers to entities covered by this Act shall be revived, reinstated, or implied by operation of law or judicial

construction, and nothing in this Act shall be construed to authorize broader powers than are expressly conferred herein.

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

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

S.B. NO. 2471 S.D. 1

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

Description:
Reaffirms that artificial persons created under state law possess only those powers that are necessary or convenient to carry out lawful business and charitable or organizational purposes, and that those powers do not include the power to spend money or contribute anything of value to influence elections or ballot measures. Revokes all prior grants of corporate and entity powers and regrants only those powers that the State determines to be necessary or convenient to conduct lawful business under the constitution and laws of this State. Effective 1/1/2027. (SD1)

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