
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 attaching to the exercise of
10 these powers. The legislature declares that these political
11 spending powers were never intended to be among the powers
12 granted to corporations or other artificial persons by the
13 State. The aim of this Act is to make that intent explicit and
14 to define the lawful powers of artificial persons accordingly.

15 The Legislature 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. It simply defines and limits the powers that the
6 State confers upon the artificial entities that it charters or
7 authorizes to do business.

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

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



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

3 PART II

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

7 "§412:10- Limitation on powers. A credit union
8 chartered under this part is subject to section 414-42 with
9 respect to the limitations on corporate powers contained in that
10 section."

11 PART III

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

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

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



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

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

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



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

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

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

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

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



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

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

- 9 (1) To sue and be sued, complain and defend in its
10 corporate name;
- 11 (2) To have a corporate seal, which may be altered at
12 will, and to use it, or a facsimile of it, by
13 impressing or affixing it or in any other manner
14 reproducing it;
- 15 (3) To make and amend bylaws, not inconsistent with its
16 articles of incorporation or with the laws of this
17 State, for managing the business and regulating the
18 affairs of the corporation;
- 19 (4) To purchase, receive, lease, or otherwise acquire, and
20 own, hold, improve, use, and otherwise deal with, real



- 1 or personal property, or any legal or equitable
2 interest in property, wherever located;
- 3 (5) To sell, convey, mortgage, pledge, lease, exchange,
4 and otherwise dispose of all or any part of its
5 property;
- 6 (6) To purchase, receive, subscribe for, or otherwise
7 acquire; own, hold, vote, use, sell, mortgage, lend,
8 pledge, or otherwise dispose of; and deal in and with
9 shares or other interests in, or obligations of, any
10 other entity;
- 11 (7) To make contracts and guarantees, incur liabilities,
12 borrow money, issue its notes, bonds, and other
13 obligations (which may be convertible into or include
14 the option to purchase other securities of the
15 corporation), and secure any of its obligations by
16 mortgage or pledge of any of its property, franchises,
17 or income;
- 18 (8) To lend money, invest and reinvest its funds, and
19 receive and hold real and personal property as
20 security for repayment;



- 1 (9) To be a promoter, partner, member, associate, or
2 manager of any partnership, joint venture, trust, or
3 other entity;
- 4 (10) To conduct its business, locate offices, and exercise
5 the powers granted by this chapter within or without
6 this State;
- 7 (11) To elect directors and appoint officers, employees,
8 and agents of the corporation, define their duties,
9 fix their compensation, and lend them money and
10 credit;
- 11 (12) To pay pensions and establish pension plans, pension
12 trusts, profit sharing plans, share bonus plans, share
13 option plans, and benefit or incentive plans for any
14 or all of its current or former directors, officers,
15 employees, and agents;
- 16 (13) To make donations for the public welfare or for
17 charitable, scientific, or educational purposes;
- 18 (14) To transact any lawful business that will aid
19 governmental policy; and



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

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

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

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



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

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

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

11 "~~§~~414-44~~§~~ **Ultra vires.** (a) Except as provided in
12 subsection (b), the validity of corporate action may not be
13 challenged on the ground that the corporation lacks or lacked
14 power to act.

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

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

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



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

3 (3) In a proceeding by the attorney general under section
4 414-411.

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

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

16 PART IV

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

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



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

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

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

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

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

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

20 "[+]§414D-52[+] **General powers.** (a) The creation and
21 continued existence of a corporation is not a right but a



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

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

- 13 (1) To sue and be sued, complain, and defend in its
14 corporate name;
- 15 (2) To have a corporate seal, which may be altered at
16 will, and to use it, or a facsimile of it, by
17 impressing or affixing or in any other manner
18 reproducing it;
- 19 (3) To make and amend bylaws, not inconsistent with its
20 articles of incorporation or with the laws of the



- 1 State, for regulating and managing the affairs of the
2 corporation;
- 3 (4) To purchase, receive, lease, or otherwise acquire, and
4 own, hold, improve, use, and otherwise deal with, real
5 or personal property, or any legal or equitable
6 interest in property, wherever located;
- 7 (5) To sell, convey, mortgage, pledge, lease, exchange,
8 and otherwise dispose of all or any part of its
9 property;
- 10 (6) To purchase, receive, subscribe for, or otherwise
11 acquire, own, hold, vote, use, sell, mortgage, lend,
12 pledge, or otherwise dispose of, and deal in and with,
13 shares or other interests in, or obligations of any
14 entity;
- 15 (7) To make contracts and guaranties, incur liabilities,
16 borrow money, issue notes, bonds, and other
17 obligations, and secure any of its obligations by
18 mortgage or pledge of any of its property, franchises,
19 or income;
- 20 (8) To lend money, invest and reinvest its funds, and
21 receive and hold real and personal property as



- 1 security for repayment, except as limited by section
2 414D-151;
- 3 (9) To be a promoter, partner, member, associate, or
4 manager of any partnership, joint venture, trust, or
5 other entity;
- 6 (10) To conduct its activities, locate offices, and
7 exercise the powers granted by this chapter within or
8 without this State;
- 9 (11) To elect or appoint directors, officers, employees,
10 and agents of the corporation, define their duties,
11 and fix their compensation;
- 12 (12) To pay pensions and establish pension plans, pension
13 trusts, and other benefit and incentive plans for any
14 or all of its current or former directors, officers,
15 employees, and agents;
- 16 (13) To make donations not inconsistent with law for the
17 public welfare or for charitable, religious,
18 scientific, or educational purposes, and for other
19 purposes that further the corporate interest;
- 20 (14) To impose dues, assessments, admission, and transfer
21 fees upon its members;



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

3 (16) To carry on a business;

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

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

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

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



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

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

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



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

3 "**S414D-54 Ultra vires.** (a) Except as provided in
4 subsection (b), the validity of corporate action may not be
5 challenged on the ground that the corporation lacks or lacked
6 power to act.

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

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

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



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

3 PART V

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

7 "§415A- Limitation on powers. A professional
8 corporation organized under this chapter shall be subject to
9 section 414-42, including all limitations on corporate powers
10 contained in that section."

11 PART VI

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

15 "§421- Limitations on powers. An association organized
16 under this chapter shall be subject to section 414-42, including
17 all limitations on corporate powers contained in that section."

18 PART VII

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



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

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

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

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



1 PART X

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

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

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



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

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

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

17 "~~{}~~**\$425E-105**~~{}~~ **Powers.** ~~[A limited partnership has the~~
18 ~~powers to do all things necessary or convenient to carry on its~~
19 ~~activities, including the power to sue, be sued, and defend in~~
20 ~~its own name and to maintain an action against a partner for~~
21 ~~harm caused to the limited partnership by a breach of the~~



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

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

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



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

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

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

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



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

3 PART XI

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

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

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



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

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

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

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

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

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

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

- 19 (1) Sue and be sued, and defend in its company name;
20 (2) Purchase, receive, lease, or otherwise acquire, and
21 own, hold, improve, use, and otherwise deal with real

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



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

4 "§429- Powers of nonprofit associations. (a) The
5 creation and continued existence of a nonprofit association is
6 not a right but a conditional grant of legal status by the State
7 and remains subject to complete withdrawal at any time. All
8 powers previously granted to corporations under the laws of this
9 State are revoked in their entirety. A nonprofit association
10 operating under the jurisdiction of this State shall possess no
11 power unless specifically granted by this section. Under no
12 circumstances shall any election activity or ballot-issue
13 activity be deemed necessary or convenient for a nonprofit
14 association's lawful purpose or affairs.

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

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



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

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

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

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



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

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

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

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

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

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

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



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.

