
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, the State's power
7 to act in the general welfare cannot be impaired by any
8 irrevocable granting of special privileges or immunities,
9 therefore the legislature retains full authority to redefine or
10 withdraw any corporate or entity powers that the State has
11 conferred.

12 The legislature further finds that judicial decisions of
13 the United States Supreme Court recognize that the State
14 possesses plenary authority to determine the powers and
15 capacities of the artificial persons it creates. This Act
16 exercises that authority to restate and limit the powers that



1 the State grants to corporations, limited liability companies,
2 partnerships, associations, and other artificial persons.

3 The legislature further finds that existing laws have
4 historically included broad grants of corporate powers, such as
5 the State's provision authorizing corporations, under section
6 414-42, Hawaii Revised Statutes, to have "the same powers as an
7 individual to do all things necessary or convenient to carry out
8 their business and affairs." The United States Supreme Court
9 has interpreted such broad grants of power to include powers to
10 make expenditures in connection with elections and ballot
11 measures and has recognized constitutional rights attaching to
12 the exercise of those powers. The legislature declares that
13 such political-spending powers were never intended to be among
14 the powers granted to corporations or other artificial persons
15 by the State. The purpose of this Act is to make that intent
16 explicit and to define the lawful powers of artificial persons
17 accordingly.

18 The Legislature further finds that the federal prohibition
19 on 501(c)(3) nonprofit corporation electioneering has been
20 upheld in federal courts on the basis that those entities
21 receive the benefit of favorable tax settings. This principle



1 also applies to entities chartered in the State, which receive
2 the benefits of favorable tax settings and limited liability
3 protections under state law.

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

10 Accordingly, the purpose of this Act is to:

11 (1) Reaffirm that artificial persons created under state
12 law possess only those powers that are necessary or
13 convenient to carry out lawful business or charitable
14 or organizational purposes, and that such powers do
15 not include the power to spend money or anything of
16 value to influence elections or ballot measures; and

17 (2) Revoke all prior grants of corporate and entity powers
18 and regrant only those powers that the State
19 determines to be necessary or convenient for lawful
20 purposes under the Hawaii State Constitution and laws
21 of the State.

1 PART II

2 SECTION 2. Section 414-3, Hawaii Revised Statutes, is
3 amended by adding four new definitions to be appropriately
4 inserted and to read as follows:

5 "Artificial-person powers" means the same powers as an
6 individual to do all things necessary or convenient to carry out
7 the corporation's lawful business and affairs. "Artificial-
8 person powers" does not include powers related to election
9 activity 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 question once it has been submitted to the electors of the State
14 or any county. "Ballot-issue activity" does not include any
15 bona fide news story, commentary, or editorial distributed
16 through the facilities of a broadcasting station or of any
17 print, online, or digital newspaper, magazine, blog, or other
18 periodical publication, unless the broadcasting, print, online,
19 or digital facility is owned or controlled by a political party,
20 political committee, or candidate.

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

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

18 "(a) Every corporation incorporated under this chapter has
19 the purpose of engaging in any lawful business, except for any
20 election activity or ballot-issue activity, unless a more
21 limited purpose is set forth in the articles of incorporation.



1 Under no circumstances shall any power or activity related to
2 election activity or ballot-issue activity be deemed necessary
3 or convenient for a lawful business purpose."

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

6 "[~~§~~414-42~~]~~ **General powers.** [~~Unless its articles of~~
7 ~~incorporation provide otherwise, every corporation has perpetual~~
8 ~~duration and succession in its corporate name and has the same~~
9 ~~powers as an individual to do all things necessary or convenient~~
10 ~~to carry out its business and affairs, including without~~
11 ~~limitation, the power:]~~ (a) The creation and continued
12 existence of a corporation is not a right but a conditional
13 grant of legal status by the State and remains subject to
14 complete withdrawal at any time. As of the effective date of
15 this Act, all powers previously granted to corporations under
16 the laws of this State are revoked in their entirety. A
17 corporation operating under the jurisdiction of this State shall
18 possess no power unless specifically granted by this section.

19 (b) Unless its articles of incorporation provide
20 otherwise, every corporation shall have perpetual duration and
21 succession in its corporate name and is hereby granted



1 artificial-person powers, including without limitation the
2 power:

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



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



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

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

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

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

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

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

20 (d) Any act undertaken by a corporation that constitutes
21 election activity or ballot-issue activity is ultra vires and



1 void. A corporation that exercises any power that is not
2 granted under subsection (b) shall forfeit all charter
3 privileges, including limited liability and perpetual duration,
4 as a matter of law. The director of commerce and consumer
5 affairs shall adopt rules for administrative forfeiture,
6 reinstatement upon disgorgement and certification of compliance,
7 and related civil enforcement.

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

14 SECTION 5. Section 414-44, Hawaii Revised Statutes, is
15 amended to read as follows:

16 "[~~§~~414-44~~§~~] **Ultra vires.** (a) Except as provided in
17 subsection (b), the validity of corporate action may not be
18 challenged on the ground that the corporation lacks or lacked
19 power to act.

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

- 1 (1) In a proceeding by a shareholder against the
2 corporation to enjoin the act;
- 3 (2) In a proceeding by the corporation, directly,
4 derivatively, or through a receiver, trustee, or other
5 legal representative, against an incumbent or former
6 director, officer, employee, or agent of the
7 corporation; or
- 8 (3) In a proceeding by the attorney general under section
9 414-411.
- 10 (c) In a shareholder's proceeding under subsection (b) (1)
11 to enjoin an unauthorized corporate act, the court may enjoin or
12 set aside the act, if equitable and if all affected persons are
13 parties to the proceeding, and may award damages for loss (other
14 than anticipated profits) suffered by the corporation or another
15 party because of enjoining the unauthorized act.
- 16 (d) This section shall not apply to acts that constitute
17 election activity or ballot-issue activity. Any such act is
18 ultra vires and void under section 414-42(d) and may be
19 addressed in proceedings authorized by that section or by the
20 attorney general under section 414-411."

21 PART III



1 SECTION 6. Section 414D-14, Hawaii Revised Statutes, is
2 amended by adding four new definitions to be appropriately
3 inserted and to read as follows:

4 "Artificial-person powers" means the same powers as an
5 individual to do all things necessary or convenient to carry out
6 the corporation's lawful business and affairs. "Artificial-
7 person powers" does not include powers related to election
8 activity or ballot-issue activity.

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

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

16 SECTION 7. Section 414D-51, Hawaii Revised Statutes, is
17 amended by amending subsection (a) to read as follows:

18 "(a) Every corporation incorporated under this chapter has
19 the purpose of engaging in any lawful charitable or public-
20 benefit activity, except for any election activity or ballot-

1 issue activity, unless a more limited purpose is set forth in
2 the articles of incorporation."

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

5 "~~[+]§414D-52[+] General powers. [Unless its articles of~~
6 ~~incorporation provide otherwise, every corporation has perpetual~~
7 ~~duration and succession in its corporate name and has the same~~
8 ~~powers as an individual to do all things necessary or convenient~~
9 ~~to carry out its affairs including, without limitation, the~~

10 ~~power:]~~ (a) The creation and continued existence of a
11 corporation is not a right but a conditional grant of legal
12 status by the State and remains subject to complete withdrawal
13 at any time. As of the effective date of this Act, all powers
14 previously granted to corporations under the laws of this State
15 are revoked in their entirety. A corporation operating under
16 the jurisdiction of this State shall possess no power unless
17 specifically granted by this section.

18 (b) Unless its articles of incorporation provide
19 otherwise, every corporation shall have perpetual duration and
20 succession in its corporate name and is hereby granted



1 artificial-person powers, including without limitation the
2 power:

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



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



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

5 (13) To make donations not inconsistent with law for the
6 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 dues, assessments, admission, and transfer
10 fees upon its members;

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

13 (16) To carry on a business;

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

17 (c) Noncandidate committees, as defined in section 11-302

18 or under federal law, are entities created for the purpose of
19 engaging in election activity and ballot-issue activity.

20 Noncandidate committees may engage in election activity and

21 ballot-issue activity; provided that the noncandidate committees



1 exist solely for those purposes and claim no charter privilege
2 other than limited liability. No other corporation organized
3 under this chapter may be granted or exercise any power to
4 engage in election activity or ballot-issue activity.

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

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

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



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

3 SECTION 9. Section 414D-54, Hawaii Revised Statutes, is
4 amended to read as follows:

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

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

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



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

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

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



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

3 **"§428-111 Nature of business and powers.** (a) A limited
4 liability company may be organized under this chapter for any
5 lawful purpose, except for any election activity or ballot-issue
6 activity, subject to any law of this State governing or
7 regulating business. Under no circumstances shall any power or
8 activity related to election activity or ballot-issue activity
9 be deemed necessary or convenient for a lawful business purpose.

10 (b) 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 corporate name and artificial-person powers,
15 including without limitation 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 (c) Any provision of the articles of incorporation,
19 bylaws, or other organizational documents purporting to grant or
20 confer any power to engage in election activity or ballot-issue
21 activity, directly or indirectly, is void.



1 the corporation's lawful business and affairs. "Artificial-
2 person powers" does not include powers related to election
3 activity or ballot-issue activity.

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

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



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

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

13 "~~§~~**425E-105**~~§~~ **Powers.** [A] (a) Except for any election
14 activity or ballot-issue activity, a limited partnership has the
15 powers to do all things necessary or convenient to carry on its
16 activities, including charter privileges and the power to sue,
17 be sued, and defend in its own name and to maintain an action
18 against a partner for harm caused to the limited partnership by
19 a breach of the partnership agreement or violation of a duty to
20 the partnership. Under no circumstances shall any power or



1 activity related to election activity or ballot-issue activity
2 be deemed necessary or convenient for a lawful business purpose.

3 (b) Unless a partnership agreement or certificate of
4 limited partnership provides otherwise, each limited partnership
5 shall have artificial-person powers.

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

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

21 PART VI



1 SECTION 14. 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 nonprofit associations under the
9 laws of this State are revoked in their entirety. A nonprofit
10 association operating under the jurisdiction of this State shall
11 possess no power unless specifically granted by this section.

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

15 (c) Any provision of the nonprofit association's governing
16 principles, articles of association, bylaws, or similar
17 documents purporting to grant or confer any power to engage in
18 election activity or ballot-issue activity, directly or
19 indirectly, is void.

20 (d) Any act undertaken by a nonprofit association that
21 constitutes election activity or ballot-issue activity is ultra



1 vires and void. A nonprofit association that exercises any
2 power not granted under subsection (b) shall forfeit all charter
3 privileges, including limited liability and perpetual duration,
4 as a matter of law. The director of commerce and consumer
5 affairs shall adopt rules for administrative forfeiture,
6 reinstatement upon disgorgement and certification of compliance,
7 and related civil enforcement.

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

14 SECTION 15. Section 429-1, Hawaii Revised Statutes, is
15 amended by adding four new definitions to be appropriately
16 inserted 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 nonprofit association's lawful business and affairs.
20 "Artificial-person powers" does not include powers related to
21 election activity 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 question after it has been formally certified or submitted to
5 the electors of the State or any county. "Ballot-issue
6 activity" does not include any bona fide news story, commentary,
7 or editorial distributed through the facilities of a
8 broadcasting station or of any print, online, or digital
9 newspaper, magazine, blog, or other periodical publication,
10 unless the broadcasting, print, online, or digital facility is
11 owned or controlled by a political party, political committee,
12 or candidate.

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

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



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

7 PART VII

8 SECTION 16. Chapter 412, Hawaii Revised Statutes, is
9 amended by adding a new section to article 10 to be
10 appropriately designated and to read as follows:

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

14 SECTION 17. Chapter 415A, Hawaii Revised Statutes, is
15 amended by adding a new section to be appropriately designated
16 and to read as follows:

17 "**\$415A- Applicability.** A professional corporation
18 organized under this chapter shall be subject to section 414-42,
19 including all limitations on corporate powers contained in that
20 section."



1 SECTION 18. Chapter 421, Hawaii Revised Statutes, is
2 amended by adding a new section to be appropriately designated
3 and to read as follows:

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

7 SECTION 19. Chapter 421C, Hawaii Revised Statutes, is
8 amended by adding a new section to be appropriately designated
9 and to read as follows:

10 "§421C- Applicability. An association organized under
11 this chapter shall be subject to section 414-42, including all
12 limitations on corporate powers contained in that section."

13 SECTION 20. Chapter 421H, Hawaii Revised Statutes, is
14 amended by adding a new section to be appropriately designated
15 and to read as follows:

16 "§421H- Applicability. A limited-equity housing
17 cooperative or association organized under this chapter shall be
18 subject to section 414-42, including all limitations on
19 corporate powers contained in that section."

20 PART VIII



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

6 SECTION 22. If any provision of this Act, or the
7 application thereof to any person or circumstance, is held
8 invalid, the invalidity does not affect other provisions or
9 applications of the Act that can be given effect without the
10 invalid provision or application, and to this end the provisions
11 of this Act are severable.

12 SECTION 23. Statutory material to be repealed is bracketed
13 and stricken. New statutory material is underscored.

14 SECTION 24. This Act shall take effect on January 1, 2027.



Report Title:

Corporations; Nonprofit Corporations; Limited Liability Companies; Limited Partnerships; Limited Liability Partnerships; Unincorporated Nonprofit Associations; Professional Corporations; Agricultural Cooperative Associations; Consumer Cooperative Associations; Limited-Equity Housing Cooperatives; State-chartered Credit Unions

Description:

Prohibits any state-chartered corporation, limited liability company, limited partnership, limited liability partnership, cooperative, nonprofit, or other association from making expenditures or contributions in connection with elections or ballot measures. Deems any election or ballot measure expenditure or contribution to be ultra vires or void as a matter of law, triggering administrative forfeiture of charter privileges, including limited liability and perpetual duration, until reinstatement. 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.

