

HCS SB 326 -- RELATING TO BUSINESS ORGANIZATIONS

SPONSOR: Kraus

COMMITTEE ACTION: Voted "Do Pass with HCS" by the Standing Committee on General Laws by a vote of 13 to 0. Voted "Do Pass" by the Standing Committee on Rules- Legislative Oversight by a vote of 13 to 0.

This bill permits the creation of low-profit limited liability companies, or L3C's. An L3C is a limited liability company that does not have as its primary purpose the production of income or the appreciation of property. In order to be considered an L3C, the company must further the accomplishment of one or more charitable or educational purposes within the meaning of the Internal Revenue Code. Furthermore, the company must not have been formed but for the furtherance of such purposes. Limited liability companies seeking to establish as an L3C are required to include the word "L3C" in its name as set forth in its articles of organization. Moreover, the company is required to state in the articles that no significant purpose of the company is the production of income or the appreciation of property and that it is not the purpose to accomplish one or more political or legislative purposes (Sections 347.015, 347.020, and 347.023 RSMo). Currently, limited liability companies in Kansas City that own or rent real property or own unoccupied property within the city are required to file an affidavit with the city clerk specifying the name and address of a person with management control or responsibility for the real property. This bill clarifies that it must be a street address and must be a natural person. The limited liability company must file a successor affidavit within 30 days of a change in the natural person with management control or responsibility for the real property. The city cannot charge a fee for the filing of the affidavit or successor affidavit. If a limited liability company fails or refuses to file the affidavit, any person adversely affected by the failure or refusal, or the city, may petition the circuit court in the county where the property is located to direct the completion and filing of the affidavit (Section 347.048).

This bill extends the sunset provisions for the depositing of fees into the state's technology trust fund from December 31, 2017 to December 31, 2025 (Sections 347.740, 351.127, 355.023, 356.233, 359.653, 400.9-528, and 417.018)

PROPONENTS: Supporters say that 12 other states have L3Cs. It is just another option for incorporation, no company would be required to become an L3C. A company that isn't a not for profit but has a stated charitable interest would not be penalized for making

decisions based on that charitable interests rather than just maximum possible profits.

Testifying for the bill was Senator Kraus.

OPPONENTS: There was no opposition voiced to the committee.

OTHERS: Others testifying on the bill say this new type of corporation would bridge the gap between true not for profits and companies with a stated charitable purpose.

Testifying on the bill was the Missouri Society of Certified Public Accountants.