

AN ACT

relating to arbitration of certain controversies involving members of certain nonprofit entities.

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

SECTION 1. The heading to Chapter 173, Civil Practice and Remedies Code, is amended to read as follows:

CHAPTER 173. ARBITRATION OF CERTAIN CONTROVERSIES INVOLVING
~~[BETWEEN]~~ MEMBERS OF CERTAIN NONPROFIT ENTITIES

SECTION 2. Section 173.002, Civil Practice and Remedies Code, is amended to read as follows:

Sec. 173.002. SCOPE OF CHAPTER. (a) This chapter applies only to the arbitration of a controversy between members of an association or corporation or between a corporation and its members if the association or corporation [that] is:

(1) exempt from the payment of federal income taxes under Section 501(a) of the Internal Revenue Code of 1986 by being listed as an exempt organization under Section 501(c) of the code; or

(2) incorporated under:

(A) the Texas Non-Profit Corporation Act (Article 1396-1.01 et seq., Vernon's Texas Civil Statutes); or

(B) Subchapter C, Chapter 23, Business Organizations Code.

(b) This chapter does not apply to the arbitration of a

1 controversy between:

2 (1) members of:

3 (A) a property owners' association, as defined by
4 Section 209.002, Property Code;

5 (B) a condominium council of owners, as defined
6 by Section 81.002, Property Code; or

7 (C) a condominium unit owners' association
8 organized under Section 82.101, Property Code; or

9 (2) an association or council of owners described by
10 Subdivision (1) and a member of that association or council of
11 owners.

12 SECTION 3. Section 173.003(c), Civil Practice and Remedies
13 Code, is amended to read as follows:

14 (c) A provision in the bylaws of a nonprofit corporation
15 incorporated under the Texas Non-Profit Corporation Act (Article
16 1396-1.01 et seq., Vernon's Texas Civil Statutes) or under
17 Subchapter C, Chapter 23, Business Organizations Code, that
18 requires a member of the corporation to arbitrate at common law a
19 controversy that subsequently arises between members or between the
20 corporation and its members is a valid, enforceable, and
21 irrevocable agreement by a member of the corporation to arbitrate
22 the controversy.

23 SECTION 4. The changes in law made by this Act apply only to
24 a controversy arising on or after the effective date of this Act. A
25 controversy arising before the effective date of this Act is
26 governed by the law in effect on the date the controversy arose, and
27 that law is continued in effect for that purpose.

1 SECTION 5. This Act takes effect immediately if it receives
2 a vote of two-thirds of all the members elected to each house, as
3 provided by Section 39, Article III, Texas Constitution. If this
4 Act does not receive the vote necessary for immediate effect, this
5 Act takes effect September 1, 2023.

President of the Senate

Speaker of the House

I certify that H.B. No. 3949 was passed by the House on May 11, 2023, by the following vote: Yeas 142, Nays 1, 2 present, not voting.

Chief Clerk of the House

I certify that H.B. No. 3949 was passed by the Senate on May 24, 2023, by the following vote: Yeas 31, Nays 0.

Secretary of the Senate

APPROVED: _____

Date

Governor