

By: Raney

H.B. No. 3949

Substitute the following for H.B. No. 3949:

By: Schofield

C.S.H.B. No. 3949

A BILL TO BE ENTITLED

1 AN ACT  
2 relating to arbitration of certain controversies involving members  
3 of certain nonprofit entities.

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

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

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

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

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

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

19 (2) incorporated under:

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

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

24 SECTION 3. Section 173.003(c), Civil Practice and Remedies

1 Code, is amended to read as follows:

2 (c) A provision in the bylaws of a nonprofit corporation  
3 incorporated under the Texas Non-Profit Corporation Act (Article  
4 1396-1.01 et seq., Vernon's Texas Civil Statutes) or under  
5 Subchapter C, Chapter 23, Business Organizations Code, that  
6 requires a member of the corporation to arbitrate at common law a  
7 controversy that subsequently arises between members or between the  
8 corporation and its members is a valid, enforceable, and  
9 irrevocable agreement by a member of the corporation to arbitrate  
10 the controversy.

11 SECTION 4. The changes in law made by this Act apply only to  
12 a controversy arising on or after the effective date of this Act. A  
13 controversy arising before the effective date of this Act is  
14 governed by the law in effect on the date the controversy arose, and  
15 that law is continued in effect for that purpose.

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