

1-1 By: Raney (Senate Sponsor - Whitmire) H.B. No. 3949
 1-2 (In the Senate - Received from the House May 12, 2023;
 1-3 May 12, 2023, read first time and referred to Committee on State
 1-4 Affairs; May 19, 2023, reported favorably by the following vote:
 1-5 Yeas 9, Nays 0; May 19, 2023, sent to printer.)

1-6 COMMITTEE VOTE

	Yea	Nay	Absent	PNV
1-7				
1-8	X			
1-9	X			
1-10	X			
1-11			X	
1-12	X			
1-13	X			
1-14	X			
1-15	X			
1-16	X			
1-17	X			
1-18			X	

1-19 A BILL TO BE ENTITLED
 1-20 AN ACT

1-21 relating to arbitration of certain controversies involving members
 1-22 of certain nonprofit entities.

1-23 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-24 SECTION 1. The heading to Chapter 173, Civil Practice and
 1-25 Remedies Code, is amended to read as follows:

1-26 CHAPTER 173. ARBITRATION OF CERTAIN CONTROVERSIES INVOLVING
 1-27 ~~[BETWEEN]~~ MEMBERS OF CERTAIN NONPROFIT ENTITIES

1-28 SECTION 2. Section 173.002, Civil Practice and Remedies
 1-29 Code, is amended to read as follows:

1-30 Sec. 173.002. SCOPE OF CHAPTER. (a) This chapter applies
 1-31 only to the arbitration of a controversy between members of an
 1-32 association or corporation or between a corporation and its members
 1-33 if the association or corporation ~~[that]~~ is:

1-34 (1) exempt from the payment of federal income taxes
 1-35 under Section 501(a) of the Internal Revenue Code of 1986 by being
 1-36 listed as an exempt organization under Section 501(c) of the code;
 1-37 or

1-38 (2) incorporated under:
 1-39 (A) the Texas Non-Profit Corporation Act
 1-40 (Article 1396-1.01 et seq., Vernon's Texas Civil Statutes); or
 1-41 (B) Subchapter C, Chapter 23, Business
 1-42 Organizations Code.

1-43 (b) This chapter does not apply to the arbitration of a
 1-44 controversy between:

1-45 (1) members of:

1-46 (A) a property owners' association, as defined by
 1-47 Section 209.002, Property Code;

1-48 (B) a condominium council of owners, as defined
 1-49 by Section 81.002, Property Code; or

1-50 (C) a condominium unit owners' association
 1-51 organized under Section 82.101, Property Code; or

1-52 (2) an association or council of owners described by
 1-53 Subdivision (1) and a member of that association or council of
 1-54 owners.

1-55 SECTION 3. Section 173.003(c), Civil Practice and Remedies
 1-56 Code, is amended to read as follows:

1-57 (c) A provision in the bylaws of a nonprofit corporation
 1-58 incorporated under the Texas Non-Profit Corporation Act (Article
 1-59 1396-1.01 et seq., Vernon's Texas Civil Statutes) or under
 1-60 Subchapter C, Chapter 23, Business Organizations Code, that
 1-61 requires a member of the corporation to arbitrate at common law a

2-1 controversy that subsequently arises between members or between the
2-2 corporation and its members is a valid, enforceable, and
2-3 irrevocable agreement by a member of the corporation to arbitrate
2-4 the controversy.

2-5 SECTION 4. The changes in law made by this Act apply only to
2-6 a controversy arising on or after the effective date of this Act. A
2-7 controversy arising before the effective date of this Act is
2-8 governed by the law in effect on the date the controversy arose, and
2-9 that law is continued in effect for that purpose.

2-10 SECTION 5. This Act takes effect immediately if it receives
2-11 a vote of two-thirds of all the members elected to each house, as
2-12 provided by Section 39, Article III, Texas Constitution. If this
2-13 Act does not receive the vote necessary for immediate effect, this
2-14 Act takes effect September 1, 2023.

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