

By: Taylor of Galveston

S.B. No. 1233

A BILL TO BE ENTITLED

AN ACT

relating to authorizing certain distributions of income from a nonprofit corporation to members of the corporation who are certain nonprofit corporations.

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

SECTION 1. Section 22.001(5), Business Organizations Code, is amended to read as follows:

(5) "Nonprofit corporation" means a corporation no part of the income of which is distributable to a member, director, or officer of the corporation, except as provided by Section 22.054.

SECTION 2. Section 22.053, Business Organizations Code, is amended to read as follows:

Sec. 22.053. DIVIDENDS PROHIBITED. Except as provided by Section 22.054, a [A] dividend may not be paid to, and no part of the income of a corporation may be distributed to, the corporation's members, directors, or officers.

SECTION 3. Section 22.054, Business Organizations Code, is amended to read as follows:

Sec. 22.054. AUTHORIZED BENEFITS AND DISTRIBUTIONS. A corporation may:

(1) pay compensation in a reasonable amount to the members, directors, or officers of the corporation for services provided;

1 (2) confer benefits on the corporation's members in
2 conformity with the corporation's purposes; ~~and~~

3 (3) make distributions to the corporation's members on
4 winding up and termination to the extent authorized by this
5 chapter; and

6 (4) make distributions of its income to the
7 corporation's members who are nonprofit corporations organized
8 under this code and who are exempt from income taxation under
9 Section 501(a), Internal Revenue Code of 1986, by being listed
10 under Section 501(c)(3) of that code, if:

11 (A) the distributions are made in accordance with
12 the purpose or purposes of the corporation as stated in the
13 certificate of formation and with the fiduciary responsibilities of
14 the board of directors, including the duty to safeguard restricted
15 funds for their intended purposes; and

16 (B) after the distributions are complete:

17 (i) the corporation would be able to pay the
18 corporation's debts as they become due in the usual course of its
19 activities; and

20 (ii) the corporation's total assets would
21 at least equal the sum of its total liabilities.

22 SECTION 4. This Act takes effect immediately if it receives
23 a vote of two-thirds of all the members elected to each house, as
24 provided by Section 39, Article III, Texas Constitution. If this
25 Act does not receive the vote necessary for immediate effect, this
26 Act takes effect September 1, 2015.