

## **BILL ANALYSIS**

C.S.H.B. 1957  
By: Geren  
Business & Industry  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

Under state law, nonprofit corporations are required to maintain current and accurate financial records with complete entries as to each financial transaction of the corporation. Moreover, nonprofit corporations must keep records, books, and annual reports of the corporation's financial activity and make those documents available to the public for inspection and copying. Current law is ambiguous and does not specify what documents are included as part of the corporation's records, books, and reports, and this lack of clarity can cause confusion for nonprofit corporations attempting to comply with the statute. C.S.H.B. 1957 seeks to add clarity to state law for nonprofit corporations regarding the type of documents that must be kept and made available to the public by specifying that such documents are the same documents that such a corporation must make available for public inspection as a 501(c)(3) tax-exempt organization under federal law.

### **CRIMINAL JUSTICE IMPACT**

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

### **ANALYSIS**

C.S.H.B. 1957 amends the Business Organizations Code to update the requirement for a nonprofit corporation to keep records, books, and annual reports of its financial activity at its registered or principal office in Texas for at least three years after the close of the given fiscal year for public inspection and copying by clarifying that the specific documents required to be kept are the documents the corporation is required to make available for public inspection under federal law as a 501(c)(3) tax-exempt organization.

### **EFFECTIVE DATE**

September 1, 2023.

### **COMPARISON OF INTRODUCED AND SUBSTITUTE**

While C.S.H.B. 1957 may differ from the introduced in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

The substitute omits provisions included in the introduced exempting a nonprofit corporation from the requirement to make its records, books, and reports available to the public for inspection and copying if an independent certified public accountant has conducted an audit of the corporation's financial statements for the preceding fiscal year in accordance with generally accepted auditing standards and the corporation makes its audited financial statements and the annual reports of its financial activity available to the public for inspection and copying at its registered or principal office during regular business hours. The substitute instead updates the requirement for a nonprofit corporation to keep those records, books, and annual reports for public inspection and copying by clarifying that the documents required to be kept are those that the corporation is required to make available for public inspection under federal law as a 501(c)(3) tax-exempt organization.