
OLR Bill Analysis

sSB 403

AN ACT CONCERNING LOW-PROFIT LIMITED LIABILITY COMPANIES

SUMMARY:

This bill allows individuals and institutions to form “low-profit limited liability companies,” which are for profit businesses formed to provide social benefits by attracting private investment and philanthropic contributions. The bill specifies the criteria a limited liability company (LLC) must meet to qualify as a low-profit LLC and makes conforming changes in the LLC statutes.

EFFECTIVE DATE: July 1, 2012

LOW-PROFIT LLCs

To qualify as a low-profit LLC, an entity must be formed to serve one or more charitable or educational purposes, as defined in the federal Internal Revenue Code. Under that code, an organization serves a charitable or educational purpose if it is organized and operated to exclusively (1) serve religious, charitable, scientific, literary, or educational purposes; (2) foster national or international amateur sports competition; or (3) prevent cruelty to children and animals (Internal Revenue Code § 170 (c) (2) (B)).

The entity’s purposes must exclude producing profits or appreciating property or accomplishing one or more political or legislative purposes, as defined in the code. Under the code, an entity serves a political or charitable purpose if it attempts to influence legislation and participates or intervenes in campaigns for or against candidates for public office (Internal Revenue Code § 170 (c) (2) (D)).

Lastly, the entity must specify its name in its articles of incorporation, along with the phrase, “Low-profit Limited Liability Company,” or the abbreviation, “L3C.”

BACKGROUND

Related Bill

sHB 5466, which the Commerce reported favorably on March 27, allows corporations to organize themselves as “social benefit businesses” and specifies how they may do so.

COMMITTEE ACTION

Commerce Committee

Joint Favorable

Yea 14 Nay 3 (03/27/2012)