

**Judiciary Committee**  
**JOINT FAVORABLE REPORT**

**Bill No.:** HB-7340  
AN ACT CONCERNING THE USE OF VEIL PIERCING TO DETERMINE THE PERSONAL RESPONSIBILITY OF AN INTEREST HOLDER OF A DOMESTIC ENTITY FOR THE DEBTS, OBLIGATIONS OR OTHER LIABILITIES OF SUCH ENTITY AND THE RESPONSIBILITY OF A DOMESTIC ENTITY FOR THE DEBTS, OBLIGATIONS OR OTHER LIABILITIES OF AN INTEREST HOLDER OF SUCH ENTITY.

**Title:**

**Vote Date:** 4/8/2019

**Vote Action:** Joint Favorable Substitute

**PH Date:** 3/15/2019

**File No.:** 784

***Disclaimer:** The following JOINT FAVORABLE Report is prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and does not represent the intent of the General Assembly or either chamber thereof for any purpose.*

**SPONSORS OF BILL:**

Judiciary

**REASONS FOR BILL:**

Codify the instrumentality test when determining the liability of an interest holder or a domestic entity for a debt obligation of a corporation or liability of the members/managers of an LLC.

**SUBSTITUTE LANGUAGE:**

Section 1 effective date has changed to "Effective from passage and applicable to any civil action filed or after the effective date of this section". Section 1 is all new language definitions for the bill. Section 2 represents agreement and assistance from the Bar Association Business Law Section and applies the instrumentality test for piercing the corporate veil. Section 3 is applicable to any civil action filed after the effective date of the section and makes clear no domestic entity is responsible for the debt of an interest holder based upon a reverse veil piercing doctrine.

**RESPONSE FROM ADMINISTRATION/AGENCY:** NONE

**NATURE AND SOURCES OF SUPPORT:** NONE

**NATURE AND SOURCES OF OPPOSITION:** NONE

**Reported by:** rJo Winch

**Date:** April 29, 2019

