

SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

BILL NO. House Bill 1716

PRINTER NO. 2230

AMOUNT

See Fiscal Impact

FUND

General Fund

DATE INTRODUCED

September 26, 2023

PRIME SPONSOR

Representative Warren

DESCRIPTION

House Bill 1716 amends Title 15 (Corporations and Unincorporated Associations) providing for shareholder rights in derivative actions and providing for name registration guidelines for domestic non-filing associations.

This legislation allows any domestic non-filing association that is not a limited liability partnership to register a name that is available for use by a domestic filing entity with the Department of State.

House Bill 1716 requires domestic non-filing associations to annually file a renewal application between October 1st and December 31st to extend the name registration for the next calendar year. A domestic non-filing association with an effective name registration may convert to a domestic filing entity under the registered name or allow use of that name by another entity.

The bill also amends language to allow a shareholder plaintiff to maintain a derivative action alleging they engaged in wrongful activities, if the board does not notify the plaintiff within 60 days after the demand was made that either a special litigation committee has been appointed if one was not already appointed or has made one of the following determinations under current law if a special litigation committee has not been appointed:

- An action based on some or all of the claims asserted in the demand should not be brought by the corporation, but that the corporation will not object to an action being brought by the plaintiff that made the demand; or
- An action that has already commenced may continue under the control of the plaintiff.

The legislation amends the Foreign Registration Statement to clarify that qualification as a foreign association includes and is deemed registration under Title 15.

This act shall take effect in 60 days.

FISCAL IMPACT:

House Bill 1716 requires the Department of State to make available a new form for domestic non-filing associations to register a name online. Expenses incurred related to this requirement can be accommodated within current staffing and funding levels.