

SENATE BILL REPORT

SB 5387

As of February 3, 2015

Title: An act relating to uniformity in common provisions governing business organizations and other entities.

Brief Description: Creating uniformity in common provisions governing business organizations and other entities.

Sponsors: Senators Pedersen and O'Ban; by request of Uniform Law Commission.

Brief History:

Committee Activity: Law & Justice: 2/03/15.

SENATE COMMITTEE ON LAW & JUSTICE

Staff: Melissa Burke-Cain (786-7755)

Background: Washington's business entity laws divide the most common entities by type: for-profit corporations, nonprofit and mutual corporations, partnerships and limited partnerships, limited liability companies (LLCs), employee cooperatives, cooperative associations, corporation sole – church and religious societies, fraternal societies and their building corporations, and granges. Structurally these laws contain all of the legal requirements pertaining to each entity type in its own provision.

The national Uniform Law Commission recommends a more integrated legal framework for states stemming from its long-term Harmonization of Business Entity Acts Drafting Project. The Uniform Business Organizations Code (UBOC) uses a hub-and-spoke model, putting the legal requirements common to all entities in one provision. The individual entity acts remain as spokes containing all entity-specific requirements.

UBOC's recently completed Article 1 contains its recommended common hub provisions. Using UBOC's structure, a recently completed project in Washington identifies these common hub provisions throughout Washington's business entity laws for possible inclusion in a new Washington business hub provision.

Summary of Bill: A new section in Title 23 RCW adopts the 2013 UBOC Article 1 common provisions for the Secretary of State's oversight of for-profit corporations, nonprofit and mutual corporations, partnerships and limited partnerships, limited liability companies,

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employee cooperatives, cooperative associations, corporation sole – church and religious societies, fraternal societies and their building corporations, and granges. The common legal requirements for these business entities also include reservation and registration of entity names, registered agents, foreign entities doing business in Washington, and entity dissolution and reinstatement.

The Secretary of State retains its current regulatory authority over business entities including rulemaking authority and authority to set and collect fees from regulated business entities. Each business entity retains its separate law containing its entity-specific legal requirements. The entity specific sections are amended as necessary to remove redundant provisions which move to the new common provisions section in Title 23. January 1, 2016, is the effective date for all parts of the proposal except for Part VII pertaining to LLCs. LLCs are not included in the effective date because there is a separate legislative proposal pending for LLCs – SSB 5030.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains several effective dates. Please refer to the bill.

Staff Summary of Public Testimony: PRO: This bill represents best practices and simplifies the administrative processes for forming, maintaining, and dissolving business entities. The substantive administrative functions in the bill mesh well with the related individual entity laws. Whether a business entity is very small or very large, the revisions in the bill streamline and simplify processes. The Secretary of State's office is developing a new online system that will be compatible with the changes in the law.

Persons Testifying: PRO: Senator Pedersen, prime sponsor; Pam Floyd Office of the Secretary of State; Garth Jacobson, CT Corporation; John Reed, WA State Bar Assn. Business Law Section.