



2009 ASSEMBLY BILL 902

March 26, 2010 - Introduced by Representatives FIELDS, SCHNEIDER, TOWNSEND and GRIGSBY, cosponsored by Senators TAYLOR and SCHULTZ. Referred to Committee on Financial Institutions.

1 **AN ACT** *to renumber and amend* 183.09025 (1); *to amend* 183.0103 (1) and
2 183.0120 (1) (f); and *to create* 183.0102 (12m), 183.0106 (1m), 183.0202 (7),
3 183.09025 (1) (a) and 183.09025 (1) (b) of the statutes; **relating to:** low-profit
4 limited liability companies.

Analysis by the Legislative Reference Bureau

Current law authorizes the creation of limited liability companies (LLCs) for any lawful purpose. This bill authorizes the creation of low-profit LLCs (L3Cs), a type of LLC.

Under the bill, a L3C must be organized for a business purpose that satisfies, and is at all times operated to satisfy, all of the following requirements: 1) the L3C significantly furthers the accomplishment of a religious, charitable, scientific, literary, or education purpose as defined under federal tax law, and would not have been formed but for the entity's relationship to the accomplishment of the religious, charitable, scientific, literary, or education purpose; 2) no significant purpose of the L3C is the production of income or the appreciation of property; and 3) no purpose of the L3C is the accomplishment of a significant political or legislative purpose, as defined under federal tax law. If a L3C at any time ceases to satisfy these requirements, it ceases to be a L3C, but continues to exist as a LLC.

The bill authorizes the Department of Financial Institutions to bring administrative dissolution proceedings against a L3C if the company has ceased to meet any of the requirements above and has failed to amend its name to reflect it is no longer a L3C within 60 days after ceasing to meet any of the requirements.

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For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 183.0102 (12m) of the statutes is created to read:

2 183.0102 (**12m**) “Low-profit limited liability company” means a limited
3 liability company that is formed under this chapter and that is organized for a
4 business purpose that satisfies, and is at all times operated to satisfy, each of the
5 requirements set forth in s. 183.0106 (1m).

6 **SECTION 2.** 183.0103 (1) of the statutes is amended to read:

7 183.0103 (**1**) The name of a limited liability company as set forth in its articles
8 of organization must contain the words “limited liability company” or “limited
9 liability co.” or end with the abbreviation “L.L.C.” or “LLC”, except that the name
10 of a low-profit limited liability company shall contain the words “low-profit limited
11 liability company” or end with the abbreviation “L3C.” or “L3C.” The name may not
12 contain language stating or implying that the limited liability company is organized
13 for any purpose other than that permitted under s. 183.0106 (1), and, if the limited
14 liability company is a low-profit limited liability company, s. 183.0106 (1m).

15 **SECTION 3.** 183.0106 (1m) of the statutes is created to read:

16 183.0106 (**1m**) (a) Notwithstanding sub. (1), a limited liability company that
17 is a low-profit limited liability company shall be organized for a business purpose
18 that satisfies, and is at all times operated to satisfy, each of the following
19 requirements:

20 1. The limited liability company significantly furthers the accomplishment of
21 a religious, charitable, scientific, literary, or educational purposes within the

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1 meaning of section 170 (c) (2) (B) of the Internal Revenue Code, and the limited
2 liability company would not have been formed but for the entity's relationship to the
3 accomplishment of the religious, charitable, scientific, literary, or educational
4 purpose.

5 2. No significant purpose of the limited liability company is the production of
6 income or the appreciation of property, but the fact that the entity produces
7 significant income or capital appreciation is not, in the absence of other factors,
8 conclusive evidence of a significant purpose involving the production of income or the
9 appreciation of property.

10 3. No purpose of the limited liability company is to accomplish a political or
11 legislative purpose within the meaning of section 170 (c) (2) (D) of the Internal
12 Revenue Code.

13 (b) If a limited liability company that satisfied par. (a) at its formation at any
14 time ceases to satisfy par. (a), the company shall cease to be a low-profit limited
15 liability company. If the limited liability company otherwise complies with this
16 chapter, it shall continue to exist as a limited liability company and its name shall
17 be changed to satisfy s. 183.0103 (1).

18 **SECTION 4.** 183.0120 (1) (f) of the statutes is amended to read:

19 183.0120 (1) (f) A brief description of the nature of the domestic or foreign
20 limited liability company's business and, if the limited liability company is a
21 low-profit limited liability company, a brief description of how its business furthers
22 a purpose under s. 183.0106 (1m) (a) 1.

23 **SECTION 5.** 183.0202 (7) of the statutes is created to read:

24 183.0202 (7) If the limited liability company is a low-profit limited liability
25 company, a statement that it is a low-profit limited liability company and that it is

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1 organized for a business purpose that satisfies, and will be at all times operated to
2 satisfy, each of the requirements set forth in s. 183.0106 (1m) (a) 1.

3 **SECTION 6.** 183.09025 (1) of the statutes is renumbered 183.09025 (1) (intro.)
4 and amended to read:

5 183.09025 (1) GROUNDS FOR ADMINISTRATIVE DISSOLUTION. (intro.) The
6 department may bring a proceeding under sub. (2) to administratively dissolve any
7 limited liability company that does not deliver to the department the limited liability
8 company's complete annual report within one year after the annual report is due.
9 The department may also bring a proceeding under sub. (2) to administratively
10 dissolve any low-profit limited liability company if all of the following apply:

11 **SECTION 7.** 183.09025 (1) (a) of the statutes is created to read:

12 183.09025 (1) (a) The company has ceased to meet any of the requirements in
13 s. 183.0106 (1m) (a).

14 **SECTION 8.** 183.09025 (1) (b) of the statutes is created to read:

15 183.09025 (1) (b) The company has failed, for at least 60 days after ceasing to
16 meet those requirements, to file articles of amendment that amend the company's
17 name to conform with s. 183.0103 (1).

18 (END)