

HB 1177

2004

1                                   A bill to be entitled  
 2           An act relating to corporations not for profit; amending  
 3           s. 617.0505, F.S.; providing exceptions to a prohibition  
 4           against such corporations paying dividends to members,  
 5           officers, or directors; authorizing a corporation to make  
 6           distributions to certain nonprofit corporations or  
 7           governmental entities; providing an effective date.

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 9   Be It Enacted by the Legislature of the State of Florida:

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 11           Section 1.   Section 617.0505, Florida Statutes, is amended  
 12   to read:

13           617.0505   Payment of dividends and distribution of income  
 14   to members prohibited; issuance of certificates of membership;  
 15   effect of stock issued under prior law.--

16           (1)   A dividend may not be paid, and any part of the income  
 17   or profit of a corporation may not be distributed, to its  
 18   members, directors, or officers. A corporation may pay  
 19   compensation in a reasonable amount to its members, directors,  
 20   or officers for services rendered, may confer benefits upon its  
 21   members in conformity with its purposes, and, upon dissolution  
 22   or final liquidation, may make distributions to its members as  
 23   permitted by this act. If expressly permitted by its articles of  
 24   incorporation, a corporation may make distributions upon partial  
 25   liquidation to its members, as permitted by this section. Any  
 26   such payment, benefit, or distribution does not constitute a  
 27   dividend or a distribution of income or profit for purposes of  
 28   this section. Any corporation which is a utility exempt from  
 29   regulation under s. 367.022(7), whose articles of incorporation

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30 state that it is exempt from taxation under s. 501(c)(12) of the  
 31 Internal Revenue Code, may make such refunds to its members,  
 32 prior to a dissolution or liquidation, as its managing board  
 33 deems necessary to establish or preserve its tax-exempt status.

34 Any such refund does not constitute a dividend or a  
 35 distribution of income or profit for purposes of this section.

36 (2) Subject to subsection (1), a corporation may issue  
 37 certificates in any form evidencing membership in the  
 38 corporation.

39 (3) Stock certificates issued under former s. 617.011(2),  
 40 Florida Statutes(1989), constitute membership certificates for  
 41 purposes of this act.

42 (4) Notwithstanding subsection (1) and s. 617.01401(5), a  
 43 corporation may make distributions to one or more of the  
 44 following if such distribution does not inure to the benefit of  
 45 any individual or for-profit entity:

46 (a) Corporations not for profit that are organized and  
 47 operated for the same or substantially similar purposes as the  
 48 distributing corporation;

49 (b) Entities that are organized and operated exclusively  
 50 for charitable, benevolent, educational, or similar purposes, or  
 51 are otherwise exempt from federal income taxation under s.  
 52 501(c) of the Internal Revenue Code; or

53 (c) The United States, a state or possession of the United  
 54 States, or any political subdivision thereof.

55 Section 2. This act shall take effect July 1, 2004.