

By Senators Aronberg and Smith

27-1057-04

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

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

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13 Section 1. Section 617.0505, Florida Statutes, is
14 amended to read:

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

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

1 367.022(7), whose articles of incorporation state that it is
2 exempt from taxation under s. 501(c)(12) of the Internal
3 Revenue Code, may make such refunds to its members, prior to a
4 dissolution or liquidation, as its managing board deems
5 necessary to establish or preserve its tax-exempt status. Any
6 such refund does not constitute a dividend or a distribution
7 of income or profit for purposes of this section.

8 (2) Subject to subsection (1), a corporation may issue
9 certificates in any form evidencing membership in the
10 corporation.

11 (3) Stock certificates issued under former s.
12 617.011(2), Florida Statutes (1989), constitute membership
13 certificates for purposes of this act.

14 (4) Notwithstanding subsection (1) and s.
15 617.01401(5), a corporation may make distributions to one or
16 more of the following if such distribution does not inure to
17 the benefit of any individual or for-profit entity:

18 (a) Corporations not for profit that are organized and
19 operated for the same or substantially similar purposes as the
20 distributing corporation;

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

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

27 Section 2. This act shall take effect July 1, 2004.
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SENATE SUMMARY

Provides an exception to allow corporations not for profit to make distributions to certain not-for-profit corporations or governmental entities.