

1 AN ACT relating to nonprofit corporations.

2 ***Be it enacted by the General Assembly of the Commonwealth of Kentucky:***

3 ➔Section 1. KRS 273.303 is amended to read as follows:

4 The assets of a corporation in the process of dissolution shall be applied and distributed
5 as follows:

- 6 (1) All liabilities and obligations of the corporation shall be paid and discharged, or
7 adequate provisions shall be made therefor;
- 8 (2) Assets held by the corporation upon condition requiring return, transfer or
9 conveyance, which condition occurs by reason of the dissolution, shall be returned,
10 transferred or conveyed in accordance with such requirements;
- 11 (3) **Except as provided in subsection (6) of this section,** assets received and held by the
12 corporation subject to limitations permitting their use only for charitable, religious,
13 eleemosynary, benevolent, educational or similar purposes, but not held upon a
14 condition requiring return, transfer or conveyance by reason of the dissolution, shall
15 be transferred or conveyed to one or more domestic or foreign nonprofit
16 corporations, societies, or organizations engaged in activities substantially similar
17 to those of the dissolving corporation, pursuant to a plan of distribution adopted as
18 provided in KRS 273.161 to 273.390;
- 19 (4) Other assets, if any, shall be distributed in accordance with the provisions of the
20 articles of incorporation or the bylaws to the extent that the articles of incorporation
21 or bylaws determine the distributive rights of members, or any class or classes of
22 members, or provide for distribution to others;
- 23 (5) **Except as provided in subsection (6) of this section,** any remaining assets may be
24 distributed to such nonprofit societies, organizations or domestic or foreign
25 corporations, as may be specified in a plan of distribution adopted as provided in
26 KRS 273.161 to 273.390; **and**
- 27 **(6) Notwithstanding any provision of law to the contrary, including KRS 273.161 to**

1 273.390, the dissolving corporation may transfer or convey some or all of the
2 assets described in subsections(3) and (5) of this section to any entity, whether
3 affiliated or not with the dissolving corporation, that is engaged in for-profit
4 activities that are substantially similar to those of the dissolving corporation, if
5 the dissolving corporation:

6 (a) 1. Never accepted or received donations of any kind from any private
7 individual or private enterprise; or

8 2. Documented and paid any donations of any kind accepted or received
9 from any individual or private enterprise over the life of the dissolving
10 corporation to one (1) or more domestic or foreign nonprofit
11 corporations, societies, or organizations engaged in activities
12 substantially similar to those of the dissolving corporation; and

13 (b) 1. Has set aside sufficient funds for the payment of all income taxes and
14 any related assessment fees of the dissolving corporation for the
15 amount of time required by the statute of limitations in KRS 143A.100
16 in its distribution plan as provided in KRS 273.307. The dissolving
17 corporation for the audit of such taxes shall be considered as a for-
18 profit entity during the dissolution time period; and

19 2. Paid the income taxes and assessment fees that have been accounted
20 for in its distribution plan in connection to the dissolution plan to the
21 relevant taxing authority.