

SENATE BILL REPORT

SB 5034

As of January 12, 2021

Title: An act relating to nonprofit corporations.

Brief Description: Concerning nonprofit corporations.

Sponsors: Senators Pedersen and Padden; by request of Washington State Bar Association.

Brief History:

Committee Activity: Law & Justice: 1/14/21.

Brief Summary of Bill

- Repeals the Washington Nonprofit Corporation Act and proposes a comprehensive revision.
- Applies to both new and existing nonprofit corporations.
- Modernizes the act loosely based on the American Bar Association's Model Nonprofit Corporation Act.

SENATE COMMITTEE ON LAW & JUSTICE

Staff: Tim Ford (786-7423)

Background: The Washington Nonprofit Corporation Act (WNCA) was enacted in 1967 and establishes requirements regarding the organization and operation of nonprofit corporations. Nonprofit corporations may be organized for any lawful purposes, including but not limited to charitable; benevolent; eleemosynary; educational; civic; patriotic; political; religious; social; fraternal; literary; cultural; athletic; scientific; agricultural; horticultural; animal husbandry; and for professional, commercial, industrial or trade associations. Many of the provisions of the WNCA provide default rules that may be altered in the corporation's articles of incorporation or bylaws. The articles of incorporation and the bylaws are the governing documents for the corporation and set forth rules for

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numerous organizational and operational issues.

The Nonprofit Corporations Committee (NCC) of the Business Law section of the Washington State Bar Association periodically reviews the WNCA and makes recommendations to keep it up to date with developments in the law and changes made to the American Bar Association's Model Nonprofit Corporations Act and to changes in other states' nonprofit corporations act. The NCC recommends amendments to the WNCA to modernize the act.

Summary of Bill: The new act creates a more efficient process for the electronic transmission of notices and meeting procedures. The act contains more comprehensive rules governing members and directors, and it updates record keeping and filing requirements with the secretary of state. The act defines members, their rights, and their powers, and includes provisions for delegates acting in a representative capacity.

The new act protects charitable assets of nonprofit corporations and comprehensively addresses the authority of the attorney general to investigate and intervene to protect charitable assets. However, the attorney general may not take action or investigate a religious corporation unless the attorney general:

- knows of facts that property held by the religious corporation for charitable purposes is about to be distributed in violation of the act;
- the board of directors of the religious corporation has requested the attorney general's involvement; or
- knows of facts indicating the religious corporation has no directors in office.

Derivative member actions was removed from the draft originally reviewed at a Kitsap County work session by this committee on September 20, 2019.

Appropriation: None.

Fiscal Note: Not requested.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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