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## DIGEST

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Landry

HB No. 1421

**Abstract:** Authorizes the formation of low-profit limited liability companies.

Present law provides for the formation of a limited liability company.

Proposed law retains present law.

Proposed law defines a low-profit limited liability company as a limited liability company organized to satisfy each of the following requirements:

- (1) The entity significantly furthers the accomplishment of one or more charitable or educational purposes within the meaning of §170(c)(2)(B) of the Internal Revenue Code and would not have been formed but for the entity's relationship to the accomplishment of charitable or educational purposes.
- (2) No significant purpose of the entity is the production of income or the appreciation of property provided; however, the fact that an entity produces significant income or capital appreciation shall not, in the absence of other factors, be conclusive evidence of a significant purpose involving the production of income or the appreciation of property.
- (3) No purpose of the entity is to accomplish one or more political or legislative purposes within the meaning of §170(c)(2)(D) of the Internal Revenue Code.

Proposed law provides that if a company that is organized pursuant to the requirements of proposed law at its formation at any time ceases to satisfy any one of the requirements, it shall immediately cease to be a low-profit limited liability company, but by continuing to meet all the other requirements of proposed law, shall continue to exist as a limited liability company. The name of the company shall be changed to be in conformance with proposed law.

Present law requires the articles of organization to set forth the following:

- (1) The name of the limited liability company.
- (2) The purposes for which the limited liability company is formed or that its purpose is to engage in any lawful activity for which limited liability companies may be formed under present law.

Proposed law retains present law and adds that the articles of organization shall also indicate whether the company is a low-profit limited liability company.

Present law provides that the name of each limited liability company, as set forth in its articles of organization, shall contain the words "limited liability company", the abbreviation "L.L.C.", or the abbreviation "L.C.".

Proposed law retains present law and provides that the name of each low-profit limited liability company, as set forth in its articles of organization, shall contain the words "low-profit limited liability company", the abbreviation "L3C", or the abbreviation "l3c".

Present law provides that the articles of organization shall be amended when any of the following occurs:

- (1) There is a change in the name of the limited liability company.
- (2) There is a false or erroneous statement in the articles of organization.
- (3) The members desire to make a change in any other statement in the articles of organization in order to accurately represent their agreement.

Proposed law retains present law and adds that the articles of organization must be amended when a limited liability company ceases to be a low-profit limited liability company pursuant to proposed law.

(Amends R.S. 12:1306(A)(1); Adds R.S. 12:1301(A)(21), 1302(C), 1305(B)(3), and 1309(A)(intro. para.) and (4))