

Regular Session, 2014

HOUSE BILL NO. 351

BY REPRESENTATIVE BROADWATER

COMMERCIAL REGULATIONS: Provides relative to single business entities

1 AN ACT

2 To enact R.S. 12:1702, relative to commercial regulations; provides relative to separate
3 juridical personalities of a business organization; to provide for definitions; to
4 provide for an exception; and to provide for related matters.

5 Be it enacted by the Legislature of Louisiana:

6 Section 1. R.S. 12:1702 is hereby enacted to read as follows:

7 §1702. Business organizations: juridical personalities

8 A. The separate juridical personality of a business organization shall not be
9 disregarded as between one business organization and another except on grounds that
10 would justify disregarding the separate personality of a business organization as
11 between the organization and a natural person.

12 B. The separate juridical personalities of business organizations may not be
13 disregarded merely because:

14 (1) They control one another or are under the common control of the same
15 person.

16 (2) They have common directors, officers, members, managers, partners, or
17 employees.

18 (3) They have common offices.

19 (4) They are subject to unified administrative control.

20 (5) They utilize a centralized accounting system.

21 (6) One organization finances, incorporates, or organizes another.

22 (7) One organization makes properly-documented payments on behalf of
23 another or makes properly-documented use of the property of another.

1 (8) The employees of one organization provide properly-documented
2 services for another.

3 (9) One organization receives no business other than that given to it by
4 another.

5 C. For purposes of this Section, the term "business organization" means a
6 business corporation, nonprofit corporation, limited liability company, partnership,
7 or other form of business organization that is treated as a juridical person or legal
8 entity pursuant to the laws of the state or country under which it is incorporated or
9 organized.

10 D. This Section shall not affect any law or administrative rule that permits
11 or requires a group of business organizations to be consolidated, unified, or
12 disregarded for the purposes provided in such law or administrative rule.

13 E. The provisions of this Section shall have prospective application only.

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

Broadwater

HB No. 351

Abstract: Provides relative to single business entities and affiliated juridical personalities.

Proposed law provides that a separate juridical personality of an affiliated business organization shall not be disregarded between one business organization and another, except on grounds that would justify a disregard of the separate personality of a business organization, as between the organization and a natural person.

Proposed law provides that the separate juridical personalities of business organizations may not be disregarded merely because the following circumstances exist for business organizations:

- (1) Control of one another or under common control of the same person.
- (2) Common directors, officers, members, managers, partners, or employees.
- (3) Common offices.
- (4) Subjection to unified administrative control.
- (5) Utilization of a centralized accounting system.
- (6) One organization finances, incorporates, or organizes another.

- (7) One organization makes properly-documented payments on behalf of another or makes properly-documented use of the property of another.
- (8) Employees of one organization provide properly-documented services for another.
- (9) One organization receives no business other than that given to it by another.

Proposed law defines "business organization" as a business corporation, nonprofit corporation, limited liability company, partnership, or other form of business organization that is treated as a juridical person or legal entity under the laws of the state or country under which it is incorporated or organized.

The provisions of proposed law do not affect any law or administrative rule that permits or requires a group of business organizations to be consolidated, unified, or disregarded for the purposes provided in such law or administrative rule.

The provisions of proposed law only apply prospectively.

(Adds R.S. 12:1702)

Summary of Amendments Adopted by House

Committee Amendments Proposed by House Committee on Commerce to the original bill.

1. Made technical changes.
2. Added provisions under which the separate juridical personality of a business organization may not be disregarded.
3. Clarified that the provisions of proposed law shall not affect any law or administrative rule that permits or requires a group of business organizations to be consolidated, unified, or disregarded for the purposes provided in such law or administrative rule.

House Floor Amendments to the engrossed bill.

1. Added that the provisions of proposed law only apply prospectively.