

NO. 106. AN ACT RELATING TO LOW-PROFIT LIMITED LIABILITY COMPANIES.

(H.775)

It is hereby enacted by the General Assembly of the State of Vermont:

Sec. 1. 11 V.S.A. § 3001(23) is added to read:

(23) “L3C” or “low-profit limited liability company” means a person organized under this chapter that is organized for a business purpose that satisfies and is at all times operated to satisfy each of the following requirements:

(A) The company:

(i) significantly furthers the accomplishment of one or more charitable or educational purposes within the meaning of Section 170(c)(2)(B) of the Internal Revenue Code of 1986, 26 U.S.C. § 170(c)(2)(B); and

(ii) would not have been formed but for the company’s relationship to the accomplishment of charitable or educational purposes.

(B) No significant purpose of the company is the production of income or the appreciation of property; provided, however, that the fact that a person 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.

(C) No purpose of the company is to accomplish one or more political or legislative purposes within the meaning of Section 170(c)(2)(D) of the Internal Revenue Code of 1986, 26 U.S.C. § 170(c)(2)(D).

(D) If a company that met the definition of this subdivision (23) 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 this chapter, will continue to exist as a limited liability company. The name of the company must be changed to be in conformance with subsection 3005(a) of this title.

Sec. 2. 11 V.S.A. § 3005(a) is amended to read:

(a)(1) ~~The~~ Except for low-profit limited liability companies, the name of a limited liability company as set forth in its articles of organization shall contain the words “limited liability company” or “limited company” or the abbreviation “L.L.C.,” “LLC,” “L.C.,” or “LC.” The word “limited” may be abbreviated as “Ltd.” and “company” may be abbreviated as “Co.” in a limited liability company name.

(2) The name of a low-profit limited liability company as defined in subdivision 3001(23) of this chapter shall contain the abbreviation L3C or l3c.

Sec. 3. 11 V.S.A. § 3023(a) is amended to read:

- (a) Articles of organization of a limited liability company shall set forth:
- (1) the name of the company;
 - (2) the address of the initial designated office;
 - (3) the name and street address of the initial agent for service of process;
 - (4) the name and address of each organizer;

(5) whether the company is a term limited liability company and, if so, the duration of the term;

(6) whether the company is an L3C;

(7) whether the company is to be manager-managed, and, if so, the name and address of each initial manager; and

~~(7)~~(8) whether the members of the company are to be liable for its debts and obligations under subsection (b) of section ~~3043~~ 3043(b) of this title.

Sec. 4. EFFECTIVE DATE

This act shall take effect upon passage.

Approved: April 30, 2008