

Low-Profit Limited Liability Companies

This Act establishes general criteria for creating low-profit limited liability companies.

Submitted as:

Utah

[SB148/Session Law Chapter 141](#)

Status: Enacted into law in 2009.

Suggested State Legislation

(Title, enacting clause, etc.)

1 Section 1. [*Short Title.*] This Act shall be cited as “The Low-Profit Limited Liability
2 Company Act.”

3
4 Section 2. [*Low-Profit Limited Liability Company.*]

5 (1) (a) To be a low-profit limited liability company, a company shall state in its
6 articles of organization that it is a low-profit limited liability company and be organized for a
7 business purpose that satisfies, and at all times operates to satisfy, each of the requirements under
8 subdivision (b).

9 (b) A low-profit limited liability company:

10 (i) shall significantly further the accomplishment of one or more charitable
11 or educational purposes within the meaning of Section 170(c)(2)(B), Internal Revenue Code;

12 (ii) shall demonstrate that it would not be formed but for the company's
13 relationship to the accomplishment of a charitable or educational purpose;

14 (iii) subject to subsection (3), may not have as a significant purpose the
15 production of income or the appreciation of property; and

16 (iv) may not have as a purpose to accomplish one or more political or
17 legislative purposes within the meaning of Section 170(c)(2)(D), Internal Revenue Code.

18 (2) (a) If a company that is a low-profit limited liability company at its formation at
19 any time ceases to meet a requirement to be a low-profit limited liability company under
20 subsection (1)(b), the company:

21 (i) ceases to be a low-profit limited liability company on the day on which
22 the company no longer meets the requirement; and

23 (ii) if it continues to meet the requirements to be a limited liability
24 company, continues to exist as a limited liability company that is not a low-profit limited-
25 liability company.

26 (b) A low-profit limited liability company's failure to meet a requirement of
27 subsection (1)(b) may be:

28 (i) voluntary, in order to convert to a limited liability company that is not a
29 low-profit limited liability company; or

30 (ii) involuntary.

31 (c) If a low-profit limited liability company ceases to be a low-profit limited
32 liability company in accordance with subdivision (a), the company shall:

33 (i) change its name to conform with the name requirements for a limited
34 liability company; and

35 (ii) amend its articles of organization to reflect the change.

36 (3) Notwithstanding subsection (1), if a low-profit limited liability company produces
37 significant income or capital appreciation, in the absence of other factors, the fact that the low-
38 profit limited liability company produces significant income or capital appreciation is not
39 conclusive evidence of a significant purpose involving the production of income or the
40 appreciation of property.

41 (4) A low-profit limited liability company may do the following to the same extent a
42 limited liability company that is not a low-profit limited liability company may do so under this
43 part:

- 44 (a) convert to another subject entity;
- 45 (b) convert from another subject entity; or
- 46 (c) participate in a merger.

47
48 Section 3. [*Severability.*] [Insert severability clause.]

49
50 Section 4. [*Repealer.*] [Insert repealer clause.]

51
52 Section 5. [*Effective Date.*] [Insert effective date.]