

## THE GENERAL ASSEMBLY OF PENNSYLVANIA

## HOUSE BILL

No. 742

Session of  
1975

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INTRODUCED BY MESSRS. ROMANELLI, SCHMITT, MISCEVICH, DOMBROWSKI,  
WANSACZ, CESSAR, USTYNOSKI AND FINEMAN, MARCH 17, 1975

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AS REPORTED FROM COMMITTEE ON CONSUMER PROTECTION, HOUSE OF  
REPRESENTATIVES, AS AMENDED, MAY 7, 1975

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## AN ACT

1 Amending Title 15 (Corporations and Unincorporated Associations)  
2 of the Pennsylvania Consolidated Statutes, permitting  
3 fraternal benefit societies to pay certain dividends.

4 The General Assembly of the Commonwealth of Pennsylvania  
5 hereby enacts as follows:

6 Section 1. Sections 7546 and 7553 of Title 15, act of  
7 November 25, 1970 (P.L.707, No.230), known as the Pennsylvania  
8 Consolidated Statutes, amended November 15, 1972 (P.L.1063,  
9 No.271), are amended to read:

10 § 7546. Income from corporate activities.

11 A nonprofit corporation whose lawful activities involve among  
12 other things the charging of fees or prices for its services or  
13 products, shall have the right to receive such income and, in so  
14 doing, may make an incidental profit. All such incidental  
15 profits shall be applied to the maintenance and operation of the  
16 lawful activities of the corporation, and in no case shall be  
17 divided or distributed in any manner whatsoever among the  
18 members, directors, or officers of the corporation. As used in

1 this section the terms fees or prices do not include rates of  
2 contribution, fees or dues levied under an insurance certificate  
3 issued by a fraternal benefit society, SO LONG AS THE  
4 DISTRIBUTION OF PROFITS ARISING FROM SAID FEES OR PRICES IS  
5 LIMITED TO THE PURPOSES SET FORTH HEREIN AND SECTION 7553.

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6 § 7553. Dividends prohibited; compensation and certain payments  
7 authorized.

8 (a) General rule.--A nonprofit corporation shall not pay  
9 dividends or distribute any part of its income or profits to its  
10 members, directors, or officers. Nothing herein contained shall  
11 prohibit a fraternal benefit society operating under the  
12 insurance laws of Pennsylvania from paying dividends or refunds  
13 by whatever name known pursuant to the terms of its insurance  
14 contracts.

15 (b) Reasonable compensation for services.--A nonprofit  
16 corporation may pay compensation in a reasonable amount to  
17 members, directors, or officers for services rendered.

18 (c) Certain payments authorized.--A nonprofit corporation  
19 may confer benefits upon members or nonmembers in conformity  
20 with its purposes, may repay capital contributions, and may  
21 redeem its subvention certificates or evidences of indebtedness,  
22 as authorized by this article, except when the corporation is  
23 currently insolvent or would thereby be made insolvent or  
24 rendered unable to carry on its corporate purposes, or when the  
25 fair value of the assets of the corporation remaining after such  
26 conferring of benefits, payment or redemption would be  
27 insufficient to meet its liabilities. A nonprofit corporation  
28 may make distributions of cash or property to members upon  
29 dissolution or final liquidation as permitted by this article.