



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 1716

PRINTER'S NO. 2230

PRIME SPONSOR: Warren

COST / (SAVINGS)

FUND	FY 2023/24	FY 2024/25
General Fund	\$0	\$0

SUMMARY:

House Bill 1716, Printer's Number 2230, adds provisions for shareholder rights in derivative actions and provides name registration guidelines for domestic nonfiling associations.

ANALYSIS:

The legislation would allow any domestic nonfiling association that is not a limited liability partnership to register a name that is available for use by a domestic filing entity by completing a name registration application, signed by the association, to be filed by the Department of State that includes:

- The name of the association;
- The address of the principal office of the association; and
- The name being registered.

Domestic nonfiling associations would need to file an annual renewal application between October 1 and December 31 to extend the name registration for the following calendar year. A domestic nonfiling association with an effective name registration may convert to a domestic filing entity under the registered name or consent to the use of that name by another entity.

The bill also amends language to allow a shareholder plaintiff to maintain a derivative action, which is a lawsuit filed by a shareholder on behalf of a corporation against a third party (e.g., an executive officer within the corporation) alleging they engaged in wrongful activities, if the board does not notify the plaintiff within 60 days after the demand was made that either a special litigation committee has been appointed if one was not already appointed or has made one of the following determinations under current law if a special litigation committee has not been appointed:

- An action based on some or all of the claims asserted in the demand should not be brought by the corporation, but that the corporation will not object to an action being brought by the plaintiff that made the demand; or
- An action that has already commenced may continue under the control of the plaintiff.

Finally, the bill amends the Foreign Registration Statement to state that a reference in Pennsylvania law to qualification as a foreign association includes registration under Section 412(a) and is deemed registration under Title 15.

The legislation would take effect 60 days after enactment.

FISCAL IMPACT:

Enactment of this legislation would require the Department of State to develop and make available on their online filing system a new form for domestic nonfiling associations to register a name. Any expenses incurred by the department to develop this new form and process the new name registrations resulting from the enactment of this legislation can be accommodated within the department's current budget and staffing levels.

PREPARED BY: Brittany Van Strien
House Appropriations Committee (D)

DATE: November 13, 2023

Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.