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## DIGEST

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HB 313 Reengrossed

2020 Regular Session

Pressly

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

Present law as developed in jurisprudence permits courts to disregard the separate legal personalities otherwise existing between two or more business entities for purposes of imposing liability, based on a list of factors that include many control-related characteristics that are lawful and commonly found among affiliated business entities.

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 business organization and a natural person.

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

- (1) Control of one another or under common control of the same person or business organization.
- (2) Common directors, officers, shareholders, members, managers, partners, or employees.
- (3) Common offices.
- (4) Subject to unified administrative control.
- (5) Utilizes a centralized accounting system.
- (6) One business organization finances, incorporates, or organizes another.
- (7) One business organization makes properly documented payments on behalf of another or makes properly documented use of the property of another.
- (8) Employees of one business organization provide properly documented services for another.
- (9) One business 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, trust, 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.

Proposed law does not affect any legal or regulatory action taken by the commissioner of insurance.

Proposed law does 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 the applicable law or administrative rule.

Proposed law applies prospectively to all business organizations including those in existence on the effective date of this Act.

The provisions of the proposed law legislatively overrule *Green v. Champion Ins. Co.*, 577 So. 2d 249 (La. App. 1st Cir. 1991) in favor of a traditional veil piercing analysis.

(Adds R.S. 12:1705)

## Summary of Amendments Adopted by House

The Committee Amendments Proposed by House Committee on Commerce to the original bill:

1. Make technical changes.

The House Floor Amendments to the engrossed bill:

1. Add the term "trust" to the definition of "business organization" for the purposes of proposed law.
2. Provide that proposed law shall not affect any legal or regulatory action taken by the commissioner of insurance.
3. Provide that proposed law shall apply prospectively to all business organizations including those in existence on the effective date of this Act.