SLS 24RS-90 ENGROSSED

2024 Regular Session

SENATE BILL NO. 10

1

BY SENATOR PRESSLY

COMMERCIAL REGULATIONS. Provides for the recognition of separate legal personalities among affiliated corporations and other business entities. (8/1/24)

AN ACT

2	To enact R.S. 12:1705, relative to commercial regulations; to provide relative to separate
3	juridical personalities of a business organization; to provide for definitions; to
4	provide for an exception; to provide for applicability; and to provide for related
5	matters.
6	Be it enacted by the Legislature of Louisiana:
7	Section 1. R.S. 12:1705 is hereby enacted to read as follows:
8	§1705. Business organizations; juridical personalities
9	A. The separate juridical personality of a business organization shall not
10	be disregarded as between one business organization and another except on
11	grounds that would justify disregarding the separate personality of a business
12	organization as between the business organization and a natural person.
13	B. Notwithstanding Subsection A of this Section, the separate juridical
14	personality of a business organization may not be disregarded merely because
15	one or more of the following circumstances exist:
16	(1) They control one another or are under the common control of the
17	same person or business organization.

1	(2) They have common directors, officers, shareholders, members,
2	managers, partners, or employees.
3	(3) They have common offices.
4	(4) They are subject to unified administrative control.
5	(5) They utilize a centralized accounting system.
6	(6) One business organization finances, incorporates, or organizes
7	another.
8	(7) One business organization makes properly documented payments on
9	behalf of another or makes properly documented use of the property of another.
10	(8) The employees of one business organization provides properly
11	documented services for another.
12	(9) One business organization receives no business other than that given
13	to it by another.
14	C. For purposes of this Section, the term "business organization" means
15	a business corporation, nonprofit corporation, limited liability company,
16	partnership, trust, or other form of business organization that is treated as a
17	juridical person or legal entity pursuant to the laws of the state or country
18	under which it is incorporated or organized.
19	D.(1) This Section shall not affect any legal or regulatory action taken by
20	the commissioner of insurance pursuant to the Louisiana Insurance Code,
21	Chapter 9 of Title 22 of the Louisiana Revised Statutes of 1950.
22	(2) This Section shall not affect any law or administrative rule that
23	permits or requires a group of business organizations to be consolidated,
24	unified, or disregarded for the purposes provided in the applicable law or
25	administrative rule.
26	Section 2. The provisions of this Act shall apply prospectively to all business
27	organizations including those in existence on the effective date of this Act.

The original instrument and the following digest, which constitutes no part of the legislative instrument, were prepared by Hanna Gettys.

DIGEST

SB 10 Engrossed

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Pressly

<u>Present law</u> 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.

<u>Proposed law</u> provides that the separate juridical personality of a business organization shall not be disregarded as between one business organization and another except on grounds that would justify disregarding the separate personality of a business organization as between the business organization and a natural person.

<u>Proposed law</u> provides that the separate juridical personality of a business organization may not be disregarded merely because one or more of the following circumstances exist:

- (1) Control one another or are under the 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 provides properly documented services for another.
- (9) One business organization receives no business other than that given to it by another.

<u>Proposed law</u> provides that the term "business organization" means 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 pursuant to the laws of the state or country under which it is incorporated or organized.

<u>Proposed law</u> shall not affect any legal or regulatory action taken by the commissioner of insurance pursuant to <u>present law</u>.

<u>Proposed law</u> shall 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 proposed law.

<u>Proposed law</u> provides that the provisions of <u>proposed law</u> shall apply prospectively to all business organizations including those in existence on the effective date of <u>proposed law</u>.

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

Effective August 1, 2024.

(Adds R.S. 12:1705)