

No. 63

AN ACT

HB 742

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

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

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

§ 7546. Income from corporate activities.

A nonprofit corporation whose lawful activities involve among other things the charging of fees or prices for its services or products, shall have the right to receive such income and, in so doing, may make an incidental profit. All such incidental profits shall be applied to the maintenance and operation of the lawful activities of the corporation, and in no case shall be divided or distributed in any manner whatsoever among the members, directors, or officers of the corporation. *As used in this section the terms fees or prices do not include rates of contribution, fees or dues levied under an insurance certificate issued by a fraternal benefit society, so long as the distribution of profits arising from said fees or prices is limited to the purposes set forth in this section and section 7553 (relating to dividends prohibited; compensation and certain payments authorized).*

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

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

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

(c) Certain payments authorized.—A nonprofit corporation may confer benefits upon members or nonmembers in conformity with its purposes, may repay capital contributions, and may redeem its subvention certificates or evidences of indebtedness, as authorized by this article, except when the corporation is currently insolvent or would

thereby be made insolvent or rendered unable to carry on its corporate purposes, or when the fair value of the assets of the corporation remaining after such conferring of benefits, payment or redemption would be insufficient to meet its liabilities. A nonprofit corporation may make distributions of cash or property to members upon dissolution or final liquidation as permitted by this article.

APPROVED—The 30th day of July, A. D. 1975.

MILTON J. SHAPP