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Social Enterprise at Adler & Colvin

We have been working closely with clients, policy makers, and regulators to help shape the emerging world of for-profit hybrids. For-profit hybrids include the Benefit Corporation in Vermont, Maryland, New Jersey, and Virginia, and the low-profit, limited liability company (L3C), which is now law in eight states and two Indian Nations. We have been actively involved in drafting and promoting a new type of corporation for California to be known as the Flexible Purpose Corporation.

The Flexible Purpose Corporation legislation, S.B. 201, which is working its way through the California Legislature, would offer corporations the ability to engage in a primary business activity while also furthering a charitable or social mission – looking out for the environment, employees, suppliers, and the community. This new form, if enacted, will, along with the Benefit Corporation, allow board members to make choices that benefit society without worrying about always maximizing shareholder profits. We see the Flexible Purpose Corporation as a great fit for nonprofit organizations that want to set up for-profit subsidiaries as well.

With new forms come a host of other potential legal issues, and we have had the opportunity to attend meetings at the Aspen Institute, the Independent Sector, and even the White House to discuss whether there are or should be any federal tax implications for these new emerging entities. We have also had a chance to attend meetings with state Attorneys General who are still deciding whether, and to what extent, these new entities raise charitable trust or other regulatory issues.

This is an exciting time for the social enterprise and the “impact economy,” and we at Adler & Colvin are at the forefront of these new initiatives. We will keep you posted as new developments arise.

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ABOUT OUR BLOG

Nonprofit Law Matters looks at legal issues in the nonprofit and tax-exempt organizations world. Written by the attorneys and paralegals of Adler & Colvin, it provides updates and analysis regarding philanthropy, charity, and other exempt organization issues.

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