

**SUBJECT:** Registration of foreign limited liability partnerships

**COMMITTEE:** Business and Industry — committee substitute recommended

**VOTE:** 7 ayes — Brimer, Rhodes, Elkins, Giddings, Janek, Solomons, Woolley  
0 nays  
2 absent — Corte, Dukes

**WITNESSES:** None

**BACKGROUND :** In 1991 Texas was the first state to regulate limited liability partnerships. At least 47 other states now have similar laws.

**DIGEST:** CSHB 1633 would amend the Texas Revised Partnership Act to require limited liability partnerships (LLPs) formed under the laws of other states to register with the Secretary of State's Office before transacting business in Texas.

A foreign LLP would not be considered as transacting business in Texas if it was involved in such activities as maintaining or defending a suit, holding meetings, maintaining bank accounts, transacting interstate commerce business, and conducting an isolated transaction completed in 30 days. A foreign LLP transacting business in Texas could not maintain an action, suit, or proceeding in Texas unless it was properly registered with the Secretary of State.

Foreign LLPs would have to refile annually, at a fee of \$200 for each partner resident in the state, not to exceed \$750. The secretary of state could adopt procedural rules for filing registration documents. CSHB 1633 would establish that knowingly filing false material to register a foreign LLP would constitute a Class A misdemeanor, punishable by a maximum penalty of one year in jail and a \$4,000 fine.

A foreign LLP would have all the general powers of a domestic registered LLP regardless of the laws of the state under which it was formed. Foreign LLPs would have to designate a registered agent for service of process; the

secretary of state would serve as the default agent for service of process if the foreign LLP failed to register or designate an agent or if its registration was cancelled.

CSHB 1633 would take effect September 1, 1997, and apply to any foreign LLP, regardless of the date of its formation.

**SUPPORTERS  
SAY:**

CSHB 1633 would bring Texas in line with other states with respect to limited liability registration requirements for foreign LLPs. When Texas enacted the Limited Liability Partnership Act in 1991, there was no need for registration provisions for foreign LLPs because no other state had a similar law. Currently, there are at least 47 other states with limited liability partnership statutes, and a majority of them require qualification or registration of foreign LLPs transacting business in their state, with fees ranging from \$100 to \$500. Texas LLPs are required to register in and pay fees to other states; CSHB 1633 would subject foreign LLPs to the same responsibility.

This bill would help keep track of the number of foreign LLPs doing business in Texas and protect the public by ensuring that only legitimate partnerships were transacting business in the state. Texas now has about 1,600 domestic LLPs; the number of foreign LLPs doing business in the state, however, is unknown. This bill would make it easier to serve process on foreign LLPs transacting business in Texas by mandating that an agent be designated

This bill would also generate additional revenue for the state through the fee provisions. The bill would apply the current civil penalties available for non-compliance under the Limited Liability Partnership Act to foreign LLPs.

**OPPONENTS  
SAY:**

No apparent opposition.

**NOTES:**

The original version of the bill would have required foreign LLPs to pay the greater of \$200 per resident partner or \$750. The committee substitute mandated fees of \$200 per resident partner, not to exceed \$750.

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The companion bill, SB 1836 by Shapiro, was reported favorably without amendment by the Senate Economic Development Committee on April 22.