ASSEMBLY, No. 3823

STATE OF NEW JERSEY

210th LEGISLATURE

INTRODUCED JUNE 19, 2003

Sponsored by:
Assemblyman MATT AHEARN
District 38 (Bergen)

SYNOPSIS
Limits corporate power and concerns corporate responsibility.

CURRENT VERSION OF TEXT
As introduced.
AN ACT concerning New Jersey corporations, amending N.J.S.14A:2-1 and N.J.S.14A:3-1, and supplementing Title 14A of the New Jersey Statutes.

BE IT ENACTED by the Senate and General Assembly of the State of New Jersey:

1. N.J.S. 14A:2-1 is amended to read as follows:

14A:2-1. Purposes. A corporation may be organized under this act for any lawful business purpose or purposes except to do in this State any business for which organization is permitted under any other statute of this State unless such statute permits organization under this act, provided, however, that no corporation shall be deemed a "natural person" or a "citizen" for purposes of either State or federal constitutional law and the Legislature and the Governor reserve their power to impose laws, restrictions, regulations, responsibilities and limitations upon corporations that may not be imposed upon natural persons.

(cf: N.J.S.14A:2-1)

2. N.J.S. 14A:3-1 is amended to read as follows:

14A:3-1. General Powers and Limitations.

(1) Each corporation, subject to any limitations provided in this act or any other statute of this State, or in its certificate of incorporation, shall have power

(a) to have perpetual duration unless a limited period is stated in its certificate of incorporation;

(b) to sue and be sued, complain and defend and participate as a party or otherwise in any judicial, administrative, arbitratve or other proceeding, in its corporate name;

(c) to have a corporate seal which may be altered at pleasure, and to use the same by causing it, or a facsimile thereof, to be impressed or affixed or in any other manner reproduced;

(d) to purchase, lease or otherwise acquire, own, hold, improve, use and otherwise deal in and with, real or personal property, or any interest therein, wherever situated;

(e) to sell, convey, mortgage, create a security interest in, lease, exchange, transfer and otherwise dispose of all or any part of its property and assets;

(f) to purchase, subscribe for, or otherwise acquire, own, hold, vote, use, employ, sell, exchange, mortgage, lend, create a security interest in, or otherwise dispose of, and otherwise use and deal in and with, shares or other interests in, or obligations of, other domestic or

EXPLANATION - Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and intended to be omitted in the law.

Matter underlined thus is new matter.
foreign corporations, associations, partnerships or individuals, or
direct or indirect obligations of any domestic or foreign government
or instrumentality thereof;
(g) to make contracts and guarantees and incur liabilities, borrow
money, issue its bonds, and secure any of its obligations by mortgage
of or creation of a security interest in all or any of its property,
franchises and income;
(h) to lend money, invest and reinvest its funds, and take and hold
real and personal property as security for the payment of funds so
loaned or invested;
(i) to conduct its business, carry on its operations, and have offices
and exercise the powers granted by this act anywhere in the universe;
(j) to elect or appoint officers, employees and agents of the
corporation, and define their duties and fix their compensation;
(k) to make and alter by-laws for the administration and regulation
of the affairs of the corporation;
(l) to pay pensions and establish pension, profit-sharing, stock
option, stock purchase, incentive and deferred compensation plans,
and plans of similar nature for, and to furnish medical services, life,
sickness, accident, disability or unemployment insurance and benefits,
education, housing, social and recreational services and other similar
aids and services to, any or all of its directors, officers, employees, and
agents, their families, dependents or beneficiaries;
(m) to participate with others in any corporation, partnership,
limited partnership, joint venture, or other association of any kind, or
in any transaction, undertaking or arrangement which the participating
corporation would have power to conduct by itself, whether or not
such participation involves sharing or delegation of control with or to
others;
(n) at the request of the United States government or of any of its
agencies, to transact any lawful business in time of war or other
national emergency, notwithstanding the purpose or purposes set forth
in its certificate of incorporation;
(o) to provide for its benefit life insurance and other insurance with
respect to the services of any or all of its directors, officers,
employees, and agents, or on the life of any shareholder for the
purpose of acquiring at his death shares of its stock owned by such
shareholder;
(p) to have and exercise all other powers necessary or convenient
to effect any or all of the purposes for which the corporation is
organized.
(2) Each corporation shall be subject to the following limitations
and shall not have the power:
(q) to deny access to corporate property by any governmental
authority or agency involved in the enforcement of environmental,
health, safety or criminal laws;
(b) to pay any person in its employ less than a living wage, which shall be defined as an hourly wage that, if earned for 35 hours a week for fifty weeks a year, would provide a single wage earner with income equal to 110% of the poverty level for a family of four in the State of New Jersey as determined by the federal or State government, whichever is higher; and

c) to engage in any activity which raises threats to human health or the environment, unless precautionary measures are taken, even if cause-and-effect relationships are not fully proven scientifically.

(3) It shall not be necessary to set forth in the certificate of incorporation any of the corporate powers or limitations enumerated in this act.

(cf: P.L.1969, c.102, s.1)

3. (New section) Piercing the Corporate Veil.

(1) Notwithstanding any other provision of law, if any corporation is unable to pay all of its lawful debts in full, then the corporate principals as defined in subsection (2) of this section shall be jointly and severally liable for lawful debts of the corporation arising from:

(a) criminal or civil actions brought against the corporation by a governmental entity;

(b) personal injury or workers’ compensation verdicts or settlements;

(c) civil liability arising from violation of an environmental law or from any harm to the environment caused by the corporation; and

(d) wage, benefit or pension claims.

(2) For purposes of this section only, "corporate principals" shall mean:

(a) the ten largest corporate shareholders;

(b) the ten most highly compensated employees of the corporation, with the exception of any employee who did not have any management responsibilities to the corporation;

(c) the members of the corporation's highest governing board; and

(d) any employees or agents of the corporation whose negligent or wrongful acts proximately caused the corporate liability in question.

4. This act shall take effect on the 90th day following enactment.

STATEMENT

This bill provides that a corporation may not be defined as a natural person and is subject to regulation which is not imposed upon a natural person or citizen. The bill also limits the power of corporations. A corporation may not deny government access to corporate property in the enforcement of environmental, safety or
criminal laws. In addition, a corporation is required to pay any employee at least the living wage, which is defined in the bill as an hourly wage, which if earned for 35 hours a week for fifty weeks a year, would provide a single wage earner with income equal to 110% of the poverty level for a family of four in the State, as determined by the federal or State government, whichever is higher. Also, a corporation is not permitted to engage in activities threatening to human health or the environment unless precautionary measures are taken to prevent such threats, even if the cause-and-effect relationships are not fully proven scientifically.

Finally, the bill provides that if a corporation is unable to pay all of its debts in full, then the corporate principals will be liable for the debts of the corporation.