

## **Massachusetts House of Representatives Bill Summary**

<b>Bill #:</b>	H.501
<b>Title:</b>	An Act to ensure LLC transparency
<b>Sponsor:</b>	Rep. Erika Uytterhoeven
<b>Committee:</b>	Economic Development and Emerging Technologies
<b>Hearing Date:</b>	September 25, 2025
<b>Reporting Deadline:</b>	November 24, 2025 (subject to extensions under House Rule 27)
<b>Prior History:</b>	2023-2024 (H.3566) – Study order (see H4593)
<b>Key Terms:</b>	<p><u>Certificate of Amendment</u> – A document that must be filed by an LLC to Massachusetts Secretary of State pursuant to Section 13 if the LLC seeks to make any changes or amendments to its original Certificate of Organization filed pursuant to Section 12 of Chapter 156C. (See MGL Chapter 156C, Section 13).</p> <p><u>Certificate of Organization</u> - To form a Massachusetts LLC, one or more authorized persons must execute and file a certificate of organization with the Secretary of State and must provide all of the information required by Section 12(a) of MGL Chapter 156C. (See MGL Chapter 156C, Section 2(4) &amp; Section 12(a)).</p> <p><u>Foreign Limited Liability Company</u> - A foreign LLC is an LLC formed under the laws of a jurisdiction other than Massachusetts and denominated as such. (MGL Chapter 156C, Section 2(4))</p> <p><u>Limited Liability Company (“LLC”)</u> – A form of business entity created by state statute that permits the pass-through federal tax treatment of a partnership and the liability protections of a corporation. Under Massachusetts law, it is a business entity formed pursuant to Chapter 156C: <i>The Limited Liability Company Act</i>. (See MGL Chapter 156C, Section 2(5)).</p> <p><u>Mutual Fund</u> - A mutual fund is a type of investment company that pools money from multiple investors to invest in a variety of assets like stocks, bonds, and other securities. These funds are managed by professionals who make investment decisions on behalf of the fund's shareholders. Investors don't directly own individual securities within the</p>

fund, but rather own shares in the fund, which represents a proportional stake in the fund's overall portfolio. (Undefined in bill and statute)

Trust - In finance, a trust is a legal relationship where one party (the trustor or grantor) transfers assets to another party (the trustee) who manages those assets for the benefit of a third party, the beneficiary. (Undefined in bill and statute).

REIT - A REIT or real estate investment trust, is a company that owns, operates or finances income-producing real estate. Modeled after mutual funds, REITs historically have provided investors with regular income streams, diversification, and long-term capital appreciation. (Undefined in bill and statute).

UPREIT - stands for Umbrella Partnership Real Estate Investment Trust. It's a structure that allows property owners to contribute their real estate assets to a partnership in exchange for shares in the REIT, effectively deferring capital gains taxes on the sale. (Undefined in bill and statute).

**Current Law:**

**Chapter 156C: The Limited Liability Company Act -**

Massachusetts limited liability companies are governed by this Chapter which was enacted in 1995. The Statute governs the management and operation of an LLC and includes provisions concerning issues, such as:

- Formation.
- Management by members or managers.
- Contributions and distributions.
- Membership and assignment of membership interests.
- Winding up and dissolution.
- Filing requirements.

Chapter 156C, Section 2 – Definitions: Section 2 of this chapter provides definitions for various terms related to limited liability companies. Relevant statutorily defined terms:

- Certificate of organization - the certificate referred to in section twelve, and the certificate as amended. (M.G.L. ch. 156C, § 2(2)).
- Foreign limited liability company - a limited liability company formed under the laws of any state other than the commonwealth or under the laws of any foreign country or other foreign jurisdiction and denominated as such under the laws of such state or foreign country or other foreign jurisdiction. (M.G.L. 156C, § 2(4)).
- Limited liability company & domestic limited liability company - an unincorporated organization formed under this chapter and having 1 or more members. (M.G.L. ch. 156C, § 2(5)).

- Limited liability company interest - a member's share of the profits and losses of a limited liability company and the member's right to receive distributions of the limited liability company's assets. (M.G.L. ch. 156C, § 2(6)).
- Manager - a person who is designated as a manager of a limited liability company pursuant to the operating agreement. (M.G.L. ch. 156C, § 2(7)).
- Member - a person who has been admitted to a limited liability company as a member as provided in section twenty or, in the case of a foreign limited liability company, in accordance with the laws of the state or foreign country or other foreign jurisdiction under which the foreign limited liability company is organized, and whose membership has not been terminated pursuant to the operating agreement or the operation of law. (M.G.L. ch. 156C, § 2(8)).
- Operating Agreement – An operating agreement is any written or oral agreement of the member or members regarding the LLC's affairs and the conduct of its business. (M.G.L. ch. 156C, § 2(9)).
- Person - a natural person, partnership, whether general or limited and whether domestic or foreign, limited liability company, foreign limited liability company, trust, estate, association, corporation, custodian, nominee or any other individual or entity in its own or any representative capacity. (M.G.L. ch. 156C, § 2(10)).

#### Chapter 156C, Section 12 – Certificate of organization

- Subsection (a) requires that, to form a limited liability company, one or more authorized persons must execute a certificate of organization which is filed with the secretary of state. (M.G.L. 156C § 12(a)). Subsection (a) also lists the specific information required to be included within the Certificate of organization.
- Subsection (b) states that a limited liability company is formed upon filing of the initial certificate of organization or at such later date as therein specified, in either case, if there has been “substantial compliance” with the requirements of this section.
- Subsection (c) requires that all limited liability companies (LLCs) formed under Chapter 156C must file an annual report with the Secretary of the Commonwealth.
- Subsection (d) establishes the associated filing fees. The fee for submitting the certificate of organization required by subsection (a) is \$500 and must be paid at the time of filing the certificate of organization. Similarly, the fee for filing the annual report required by subsection (c) is also \$500 and must be paid annually upon filing the annual report fee.

### Chapter 156C, Section 13 – Amendment of certificate of organization

- Subsection (a) allows limited liability companies to amend their certificate of organization by filing a certificate of amendment with the office of the state secretary.
  - Subsection (a) requires that certificate of amendment must include the following information: (1) the name of the limited liability company; (2) the date of the filing of its certificate of organization; and (3) the amendment to the certificate of organization.
- Subsection (b) mandates that a “certificate of amendment” is necessary if a manager, or if there no manager, a member becomes aware that any statement in the original certificate of organization was false when made, or that any matter described in the certificate of organization has changed, in any material respect.
- Subsection (c) mandates that a certificate of organization must be amended to reflect the designation of, or any change in the managers of a limited liability company or other authorized signatories.
- Subsection (d) also provides that a limited liability company may amend its certificate of organization at any time for any purpose, not limited solely to statutory requirements.
- Subsection (e) sets forth that unless otherwise provided by law or within the certificate of amendment itself, the certificate of amendment shall take effect upon its filing with the state secretary.

### Chapter 156C, Section 48 – Registration of foreign limited liability company

- Under Chapter 156C, Section 48, any foreign limited liability company (LLC) that intends to conduct business in Massachusetts must file an application for registration with the Corporations Division within ten days of commencing operations in the Commonwealth.
- The application must include a certificate of legal existence or good standing issued by the appropriate authority in the LLC’s home jurisdiction and also include the following required information:
  - (1) The federal employer identification number (FEIN) of the LLC; (2) The name of the LLC and, if different, the name under which it will conduct business in Massachusetts; (3) jurisdiction and date of the LLC’s original organization; (4) A description of the general character of the business the LLC intends to conduct in Massachusetts; (5) The business address of the LLC’s principal office; (6) The name and business address of each manager if applicable; (7) The business address of the

LLC's principal office in Massachusetts, if applicable; (8) The name and business address of the LLC's resident agent in Massachusetts; (9) If applicable, the date on which the LLC is scheduled to dissolve; and (10) If desired, the name(s) of any person(s) authorized to execute, acknowledge, deliver, and record documents affecting interests in real property in Massachusetts.

**Chapter 156C, Section 52 – Correction or amendment of application for registration of foreign limited liability company**

- Section 52 of Chapter 156C requires a foreign limited liability company to promptly file a signed and sworn certificate with the office of the State Secretary Corporations if any statement in its original application for registration to do business in the Commonwealth was false when made or if any changes have occurred that now make the application inaccurate.

**Chapter 66 - Public Records**

- The Massachusetts Public Records Law (Public Records Law) and its Regulations provide that each person has a right of access to public information. This right of access includes the right to inspect, copy or have a copy of records provided upon the payment of a reasonable fee, if any.

**Federal law: 31 U.S.C. Section 5336 – “The Corporate Transparency Act”**

- Under 31 U.S.C. § 5336, also known as the Corporate Transparency Act (CTA), any Limited Liability Company (LLC) formed on or after January 1, 2024, that qualifies as a reporting company must file a Beneficial Ownership Information Report (BOIR) with the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN), unless exempt (31 U.S.C. § 5336(a)(11); 31 C.F.R. § 1010.380(a)).
- Under the above federal legislation, a LLC must disclose information about its company applicants, who are either:
  - The individual who directly files the formation documents (31 U.S.C. § 5336(a)(2)(A)(i); 31 C.F.R. § 1010.380(e)(1)(i)), or
  - The individual primarily responsible for directing or controlling the filing, if more than one person is involved (31 U.S.C. § 5336(a)(2)(A)(ii); 31 C.F.R. § 1010.380(e)(1)(ii)).
- Under the above federal legislation, a LLC must also report information about its beneficial owners, defined as individuals who:
  - Exercise substantial control over the company (31 C.F.R. § 1010.380(d)(1)(i)), or
  - Own or control at least 25% of the company's ownership interests (31 C.F.R. § 1010.380(d)(1)(ii)).

Summary: This bill would impose beneficial ownership information (BOI) reporting obligations on existing and newly formed limited liability companies (LLCs) organized in the Commonwealth of Massachusetts and on Foreign Limited Liability Companies registered to do business in the Commonwealth of Massachusetts.

Section 1 of this bill amends Section 2 (Definitions) of Chapter 156C of the Massachusetts General Laws by inserting a new clause—clause (1½)—immediately following the existing clause (1).

This new clause introduces the term “beneficial owner,” defined as any individual who, directly or indirectly, (i) holds a membership interest in a domestic or foreign limited liability company (LLC); (ii) exercises substantial control over decisions related to such an interest; or (iii) has been assigned a membership interest. The definition also extends to any “ultimate beneficial owner,” regardless of the place of registration of the LLC, thereby capturing individuals who may hold indirect ownership or control through complex legal or financial arrangements.

The second paragraph of clause (1½) provides important clarification by excluding specific categories of individuals or entities from being classified as beneficial owners under Chapter 156C. These exclusions include: (i) minor children; (ii) persons acting as nominees, intermediaries, custodians, or agents on behalf of another individual; (iii) employees of an LLC or foreign LLC whose control or financial benefit arises solely from their employment; (iv) individuals whose only interest in the LLC derives from a right of inheritance, unless they otherwise qualify as beneficial owners; (v) creditors, unless they meet the beneficial ownership criteria independently; (vi) individuals whose membership interest exists solely due to their employment; and (vii) individuals whose membership interest arises exclusively from the filing of a certificate of organization under Sections 12 or 13, or an application for registration under Sections 48 or 52 of Chapter 156C.

Section 2 of this bill subsection (a) of Section 12 of Chapter 156C of the Massachusetts General Laws, sets forth the information required in a limited liability company’s certificate of organization. Specifically, the amendment adds a new clause—clause (10)—requiring that the certificate include the disclosure of each beneficial owner of the LLC. This new requirement builds upon the existing statutory framework, which already mandates disclosure of information such as the LLC’s name, principal office, resident agent, business purpose, and managers or authorized signatories.

Section 3 of the bill amends Section 13 of Chapter 156C of the Massachusetts General Laws, which governs amendments to a limited liability company's certificate of organization. The amendment adds a new subsection—subsection (f)—requiring that a certificate of organization be amended “to reflect a change in the beneficial owners of a limited liability company or the information required to be provided relating to each beneficial owner.”

Section 4 of the bill amends the second paragraph of Section 48 of Chapter 156C of the Massachusetts General Laws, which outlines the registration requirements for foreign limited liability companies seeking to do business in the Commonwealth. The amendment adds a new clause—clause (10)—to the list of required information that must be included in the foreign LLC's application for registration to do business in the Commonwealth. This new clause requires the disclosure of each beneficial owner of the foreign limited liability company at the time of registration.

Section 5 of the bill strikes and replaces Section 52 of Chapter 156C of the Massachusetts General Laws, which governs the correction or amendment of the registration application filed by a foreign limited liability company (LLC). The revised section retains the existing requirement that a foreign LLC must promptly correct any false statements or material inaccuracies in its application for registration by filing a certificate with the Secretary of the Commonwealth. However, the amendment adds a new requirement that specifically addresses changes in beneficial ownership. Under the new provision, a foreign LLC must amend its application to reflect any change in its beneficial owners or in the information required to be disclosed about those owners. This amendment must be filed with the Secretary of the Commonwealth within 30 days of the change.

Section 6 of the bill amends Chapter 156C of the Massachusetts General Laws by adding a new section—Section 73—which establishes detailed requirements for the disclosure of beneficial ownership by both domestic and foreign limited liability companies (LLCs) operating in the Commonwealth. Subsection (a) requires each LLC to disclose its beneficial owners to the Secretary of the Commonwealth and, where applicable, identify every intermediary entity or person linking the beneficial owner to the LLC. This includes disclosing the nature of legal or economic relationships and may involve the submission of diagrams illustrating ownership structures. The disclosure obligation applies to beneficial owners only when indirect ownership is exercised through publicly traded entities, real estate investment trusts (REITs), umbrella partnership

REITs (UPREITs), or mutual funds, and when the individual beneficially owns or controls at least 25% of the LLC. Additional disclosure is required if ownership is exercised through a trust, including information about trustees, beneficiaries, trust protectors, or grantors with rights to revoke or access trust assets.

Subsection (b) outlines the specific identifying information that a domestic LLC must provide for each beneficial owner when disclosing under Sections 12 or 13. Required information includes the beneficial owner's name, date of birth, residential or business address, a unique identifying number from a valid government-issued ID or passport, and a federal or state taxpayer identification number or global legal entity identifier. LLCs may also satisfy this requirement by submitting a copy of their beneficial ownership filing made to the federal government under 31 U.S.C. § 5336, provided the federal submission is current and contains all information required under Massachusetts law. Additionally, each domestic LLC must disclose the total number of properties owned by each beneficial owner in the Commonwealth, along with the city or town in which each property is located.

Subsection (c) mirrors these disclosure requirements for foreign LLCs, referencing their obligations under Sections 48 and 52. Like domestic LLCs, foreign entities must provide identifying information for each beneficial owner, may submit a current federal BOI filing as a substitute, and must report any Massachusetts property ownership by each beneficial owner.

Finally, subsection (d) makes clear that all beneficial ownership disclosures filed with the Secretary of the Commonwealth under this section will be treated as public records, subject to disclosure under Chapter 66 of the General Laws. This provision marks a significant expansion of transparency requirements for LLCs in Massachusetts, aligning the state's legal framework with broader state and federal efforts to combat anonymous ownership structures, increase accountability, and deter illicit activity.