

HOUSE BILL 363

57TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2025

INTRODUCED BY

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AN ACT

RELATING TO NONPROFIT ASSOCIATIONS; CREATING THE DECENTRALIZED
UNINCORPORATED NONPROFIT ASSOCIATION ACT.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. [NEW MATERIAL] SHORT TITLE.--This act may be
cited as the "Decentralized Unincorporated Nonprofit
Association Act".

SECTION 2. [NEW MATERIAL] DEFINITIONS.--As used in the
Decentralized Unincorporated Nonprofit Association Act:

A. "administrator" means a person authorized by the
members of a decentralized unincorporated nonprofit association
to perform administrative and operational tasks at the
direction of the membership;

B. "agreement" means the agreement among the
members of an association, including any amendments thereto,

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1 that govern the purpose and operation of the association and
2 the rights and obligations of the association's members and
3 administrators;

4 C. "automated transaction" means a transaction
5 conducted or performed, in whole or in part, by electronic
6 means or electronic records, in which the acts or records of
7 one or both parties are not reviewed by an individual in the
8 ordinary course in forming a contract, performing under an
9 existing contract or fulfilling an obligation required by the
10 transaction;

11 D. "blockchain" means a system in which a record of
12 transactions, including those made in a cryptocurrency, is
13 maintained across computers that are linked in a peer-to-peer
14 network;

15 E. "decentralized unincorporated nonprofit
16 association" or "association" means an unincorporated
17 association that meets all of the following criteria:

18 (1) consists of at least two or more members
19 joined by mutual consent under a written agreement for a common
20 purpose permitted by the Decentralized Unincorporated Nonprofit
21 Association Act;

22 (2) has elected to be formed under that act;
23 and

24 (3) is not formed under any other law
25 governing the association's organization or operation;

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1 F. "digital asset" means a representation of
2 economic, proprietary or access rights that is stored in a
3 computer-readable format and is either a digital consumer
4 asset, digital security or virtual currency;

5 G. "digital consumer asset" means a digital asset
6 that is used or bought primarily for consumptive, personal or
7 household purposes and includes an open blockchain token
8 constituting intangible personal property, but does not include
9 digital securities or virtual currencies;

10 H. "digital security" means a digital asset that
11 constitutes a security, but shall exclude digital consumer
12 assets and virtual currency;

13 I. "distributed ledger technology" means a
14 distributed ledger protocol and supporting infrastructure,
15 including blockchain, that uses a distributed, shared and
16 replicated ledger, whether public or private, permissioned or
17 permissionless, and that may include the use of digital assets
18 as a medium of exchange;

19 J. "member" means a person who, under the terms of
20 the agreement of an association, may participate in the
21 selection of the association's administrators or the
22 development of the policies and activities of the association;

23 K. "membership interest" means a member's voting
24 right in an association determined by the association's
25 agreement, including as ascertained from decentralized ledger

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1 technology on which the association relies to determine a
2 member's voting rights;

3 L. "peer-to-peer network" means a decentralized
4 network that allows participating computers to share resources,
5 data and information among the computers without requiring a
6 central server;

7 M. "person" means an individual, a corporation, a
8 business trust, an estate, a trust, a partnership, an
9 association, an agency, a joint venture or any other legal
10 commercial entity;

11 N. "smart contract" means an automated transaction,
12 or any substantially similar analogue or code, script or
13 programming language relying on distributed ledger technology,
14 including blockchain, which may include facilitating and
15 instructing transfer of an asset, administering membership
16 interest votes with respect to a decentralized unincorporated
17 nonprofit association or issuing executable instructions for
18 these actions based on the occurrence or non-occurrence of
19 specified conditions; and

20 O. "virtual currency" means a digital asset that
21 is:

22 (1) used as a medium of exchange, unit of
23 account or store of value; and

24 (2) not recognized as legal tender by the
25 United States government.

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1 SECTION 3. [NEW MATERIAL] PURPOSE OF ASSOCIATION.--A
2 decentralized unincorporated nonprofit association may be
3 formed for any lawful purpose, including charitable,
4 benevolent, eleemosynary, educational, civic, patriotic,
5 political, religious, social, fraternal, literary, cultural,
6 scientific, professional, commercial, industrial or trade
7 purposes; provided that the association is not formed for the
8 individual profit of the members of the association.

9 SECTION 4. [NEW MATERIAL] FORMATION--FILING STATEMENT AND
10 ASSOCIATION FORMATION AGREEMENT WITH SECRETARY OF STATE.--

11 Persons desiring to form a decentralized unincorporated
12 nonprofit association shall file a statement with the office of
13 the secretary of state containing the name of the association,
14 the names and residences of the persons forming such
15 association and a copy of the written agreement of the persons
16 forming the association that contains the rules or regulations
17 governing the transaction of its objects and purposes and
18 prescribes the terms by which the members may establish,
19 maintain or cease the membership in the association.

20 SECTION 5. [NEW MATERIAL] GOVERNING LAW--TERRITORIAL
21 APPLICATION.--

22 A. The Decentralized Unincorporated Nonprofit
23 Association Act governs any decentralized unincorporated
24 nonprofit association that is formed in New Mexico.

25 B. A decentralized unincorporated nonprofit

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1 association's agreement shall identify the:

2 (1) jurisdiction in which the decentralized
3 unincorporated nonprofit association is formed; and

4 (2) initial administrator who will fulfill
5 administrative and operational tasks for the association for
6 the first year, until the administrator is replaced by the
7 members of the association.

8 SECTION 6. [NEW MATERIAL] DIVIDENDS PROHIBITED--

9 COMPENSATION AND OTHER PERMITTED PAYMENTS.--A dividend shall
10 not be paid, and no part of the income, profits or assets of a
11 decentralized unincorporated nonprofit association shall be
12 distributed to its members or administrators. A decentralized
13 unincorporated nonprofit association may provide compensation
14 in a reasonable amount to its members or administrators for
15 services rendered and may confer benefits on its members in
16 conformity with its purposes and upon dissolution or final
17 liquidation and may make distributions as permitted by its
18 agreement and the Decentralized Unincorporated Nonprofit
19 Association Act.

20 SECTION 7. [NEW MATERIAL] PROPERTY HOLDINGS--EFFECT OF
21 MEMBER'S DEATH OR TERMINATION OF MEMBERSHIP--MEMBER'S INTEREST
22 NOT SUBJECT TO EXECUTION.--

23 A. A decentralized unincorporated nonprofit
24 association may hold and acquire real or personal property by
25 deed, lease or otherwise, in the name of the association, and

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1 may acquire title to property by purchase or otherwise for its
2 objects and purposes. The property shall be deemed to be held
3 by the association for the use and benefit of the association
4 members.

5 B. Upon the decease of a member or the termination
6 of a membership, the interest of that member in the property of
7 the association shall cease and terminate, without right of
8 succession to heirs, executors or administrators of that
9 deceased member, or to the creditors or trustee in bankruptcy
10 or assignee of that member whose membership is terminated.

11 C. The interest of a member in the property of an
12 association shall not be subject to execution as and for the
13 member's debts or as the member's individual or special
14 property.

15 SECTION 8. [NEW MATERIAL] MORTGAGE OR SALE OF PROPERTY--
16 METHOD OF CONVEYANCE.--

17 A. The real and personal property or leasehold
18 interest of a decentralized unincorporated nonprofit
19 association may be mortgaged or sold at such time and upon such
20 terms as the members of the association may determine by vote
21 as prescribed in the association's formation agreement.

22 B. A deed signed by the administrator or a member
23 designated by resolution or other action of the members as
24 permitted by the agreement shall be deemed sufficient to convey
25 the fee simple title, or any title, to any property held or

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1 possessed by the association free and clear of any interest,
2 claim or title of any of the individual members of the
3 association, their heirs, executors and administrators, as
4 tenants in common or otherwise.

5 SECTION 9. [NEW MATERIAL] SUITS AGAINST OR BY
6 DECENTRALIZED UNINCORPORATED NONPROFIT ASSOCIATIONS--RECOVERY
7 OF JUDGMENTS.--

8 A. A decentralized unincorporated nonprofit
9 association may sue or be sued in its name for the purpose of
10 enforcing for or against it any substantive right. Suit may be
11 brought against a decentralized unincorporated nonprofit
12 association by a member of the association, and the
13 decentralized unincorporated nonprofit association may sue a
14 member of the association and its administrators.

15 B. A money judgment obtained against a
16 decentralized unincorporated nonprofit association shall only
17 bind the joint or common property of the association.

18 C. Members shall not be jointly and severally
19 liable for debts of the association.

20 D. In an action against a decentralized
21 unincorporated nonprofit association, process may be served by
22 delivering a copy of the summons and complaint or other
23 pleading to the administrator of the association.

24 SECTION 10. [NEW MATERIAL] SUITS AGAINST OR BY
25 DECENTRALIZED UNINCORPORATED NONPROFIT ASSOCIATIONS--ACTIONS

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1 AGAINST MEMBERS.--

2 A. A decentralized unincorporated nonprofit
3 association may sue or be sued in its name without the
4 individual members of the association being made parties to the
5 suit.

6 B. An association may sue a member as a defendant
7 in any matter arising out of the member's membership in the
8 association or the termination of the member's membership, and
9 may recover judgment, if necessary, for any dues or obligations
10 due and owing by the member to the association, whether the
11 member has ceased to be a member or not.

12 SECTION 11. [NEW MATERIAL] VENUE.--For purposes of venue,
13 a decentralized unincorporated nonprofit association is a
14 resident of a county where:

- 15 A. the association has an office; or
- 16 B. the place of business of the administrator of
17 the association is located.

18 SECTION 12. [NEW MATERIAL] TERM OF EXISTENCE--
19 DISSOLUTION--DISTRIBUTION OF PROCEEDS OR PROPERTY.--

20 A. Except as otherwise provided in the
21 association's formation agreement, a decentralized
22 unincorporated nonprofit association shall have perpetual
23 existence.

24 B. A decentralized unincorporated nonprofit
25 association may be dissolved:

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1 (1) at a time or method for dissolution
2 provided in the association's formation agreement; or

3 (2) if the association's formation agreement
4 does not provide a time or method for dissolution, by a two-
5 thirds' vote of the entire membership at any regular or special
6 meeting legally called or by any other process permitted by the
7 agreement for taking a vote of the members.

8 SECTION 13. ~~[NEW MATERIAL]~~ ADMISSION, SUSPENSION,
9 DISMISSAL OR EXPULSION OF MEMBERS.--

10 A. A person shall:

11 (1) be eligible for membership in a
12 decentralized unincorporated nonprofit association if it has
13 met the qualifications for eligibility stated in the
14 association's formation agreement;

15 (2) be deemed a member upon payment in full or
16 assumption of ownership of a membership interest or other
17 property or instrument that confers membership with the
18 association; and

19 (3) shall continue as a member absent
20 suspension, dismissal or expulsion pursuant to Subsection B of
21 this section, resignation or the association's dissolution and
22 wind-up.

23 B. A member may be expelled by the vote of a
24 majority of the members voting at a regular or special meeting,
25 or as otherwise permitted by the association's formation

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1 agreement.

2 C. Unless otherwise provided for in the
3 association's formation agreement, expulsion of a member does
4 not relieve the member of any obligation incurred or commitment
5 made by the member before the expulsion.

6 SECTION 14. [NEW MATERIAL] RESIGNATION.--

7 A. A member may resign as a member of a
8 decentralized unincorporated nonprofit association in
9 accordance with the association's formation agreement. If the
10 agreement does not provide for the resignation of a member, a
11 member shall be deemed to have resigned upon the disposal,
12 whether voluntary or involuntary, of all of the member's
13 interests, property or instruments that confer a voting right
14 on the person.

15 B. Unless otherwise provided for in the
16 association's formation agreement, expulsion of a member does
17 not relieve the member of any obligation incurred or commitment
18 made by the member before the expulsion.

19 SECTION 15. [NEW MATERIAL] MEMBER INTEREST

20 TRANSFERABLE.--Except as otherwise provided in the
21 decentralized unincorporated nonprofit association's formation
22 agreement, a member interest, property or other right of
23 membership in the association is freely transferable to another
24 person through conveyance of the membership interest, property
25 or right that confers upon a person a voting right in the

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1 association; provided that the person to whom the interest is
2 transferred meets the qualifications for eligibility stated in
3 the association's formation agreement.

4 SECTION 16. [NEW MATERIAL] APPROVAL BY MEMBERS.--

5 A. Except as otherwise provided in the
6 association's formation agreement, a decentralized
7 unincorporated nonprofit association shall require the approval
8 of the majority of membership interests participating in a vote
9 to:

- 10 (1) suspend, dismiss or expel a member;
- 11 (2) select or dismiss an administrator;
- 12 (3) amend or repeal the agreement;
- 13 (4) sell, lease, exchange or otherwise dispose
14 of the association's property;
- 15 (5) dissolve the association;
- 16 (6) undertake an act outside the ordinary
17 course of the association's activities; or
- 18 (7) determine the policy and purpose of the
19 association.

20 B. An association shall have the approval of the
21 majority of its members in accordance with the association's
22 formation agreement to perform any acts or exercise a right
23 that the agreement requires to be approved by members.

24 C. Unless otherwise provided for in the
25 association's formation agreement, membership interest in an

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1 association shall be calculated in proportion to a member's
2 voting rights within the association.

3 SECTION 17. [NEW MATERIAL] USE OF DISTRIBUTED LEDGER
4 TECHNOLOGY.--

5 A. A decentralized unincorporated nonprofit
6 association may provide for its governance, in whole or in
7 part, through distributed ledger technology, including smart
8 contracts.

9 B. An association's formation agreement may:

10 (1) specify whether a distributed ledger
11 technology used or enabled by the association will be fully
12 immutable or subject to change by the association and whether a
13 distributed ledger will be fully or partially public or
14 private, including the extent of a member's access to
15 information; and

16 (2) adopt voting procedures, which may include
17 smart contracts deployed to distributed ledger technology that
18 provide for:

19 (a) proposals for upgrades from members
20 or administrators in the association, modifications or
21 additions to software systems or protocols; and

22 (b) other proposed changes to the
23 association's formation agreement.

24 SECTION 18. [NEW MATERIAL] CONSENSUS FORMATION ALGORITHMS
25 AND GOVERNANCE PROCESS.--In accordance with a decentralized

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1 unincorporated nonprofit association's governing principles, an
2 association may:

3 A. adopt reasonable algorithmic means for
4 establishing consensus for the validation of records and for
5 establishing requirements, processes and procedures for
6 conducting operations or making organizational decisions with
7 respect to the distributed ledger technology used by the
8 association; and

9 B. in accordance with a procedure specified
10 pursuant to Section 17 of the Decentralized Unincorporated
11 Nonprofit Association Act, modify the consensus mechanism and
12 the requirements, processes and procedures or substitute a new
13 consensus mechanism and associated requirements, processes or
14 procedures that comply with that act.

15 SECTION 19. [NEW MATERIAL] SELECTION OF ADMINISTRATORS--
16 RIGHTS AND DUTIES OF ADMINISTRATORS.--

17 A. Unless otherwise provided for in an
18 association's formation agreement, the members of an
19 association may select the association's administrators
20 pursuant to Section 16 of the Decentralized Unincorporated
21 Nonprofit Association Act.

22 B. If no administrators are selected, no member
23 shall be considered an administrator for the association;
24 provided that the association's formation agreement shall
25 provide for an individual who may execute documents and perform

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1 other administrative tasks on behalf of the decentralized
2 nonprofit unincorporated association if no administrators are
3 selected.

4 C. An association shall not be required to have an
5 administrator, and the rights and duties of an administrator
6 shall be established as part of the authorization of authority
7 to act as an administrator.

8 D. The governing principles of an association may
9 limit or eliminate the liability of an administrator to the
10 association or its members for money damages for any action
11 taken, or failure to take any action, as an administrator,
12 except liability for:

13 (1) the amount of financial benefit improperly
14 received by the administrator;

15 (2) an intentional infliction of harm on the
16 association or its members;

17 (3) an intentional violation of criminal law;

18 (4) a breach of the duty of loyalty, should
19 one exist, unless, following full disclosure of all material
20 facts to the association members, the specific act or
21 transaction that would otherwise be a breach of the duty of
22 loyalty is authorized or ratified by approval of the
23 disinterested members pursuant to Section 16 of the
24 Decentralized Unincorporated Nonprofit Association Act; or

25 (5) making or receiving improper

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1 distributions.

2 SECTION 20. [NEW MATERIAL] RIGHT TO INSPECT RECORDS.--

3 A. Except as provided by Subsection B of this
4 section, on reasonable notice, a member or an administrator of
5 a decentralized unincorporated nonprofit association shall be
6 entitled to an electronic record of any record maintained by
7 the association regarding the association's activities,
8 financial condition or other circumstances, to the extent the
9 information is material to a member's or administrator's rights
10 and duties under the association's formation agreement or the
11 Decentralized Unincorporated Nonprofit Association Act.

12 B. An association shall not be obligated to provide
13 records requested from a member or administrator if access to
14 the information is contained in a record available to the
15 member or administrator on decentralized ledger technology.

16 C. An association may impose reasonable
17 restrictions on access to and use of information that may be
18 provided pursuant to this section, including by designating the
19 information confidential and imposing nondisclosure or other
20 safeguarding obligations on the recipient of the information.
21 In a dispute concerning the reasonableness of a restriction,
22 the association shall have the burden of proving
23 reasonableness.

24 D. A former member or administrator may have access
25 to information to which the former member or administrator was

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1 entitled as a member or an administrator if the:

2 (1) information relates to the period of time
3 during which the former member or administrator was a member or
4 an administrator;

5 (2) former member or former administrator
6 seeks the information in good faith; and

7 (3) former member or former administrator
8 satisfies the requirements of Subsections A through C of this
9 section with respect to the information.

10 SECTION 21. [NEW MATERIAL] EXPENSES--INDEMNIFICATION.--

11 A. Unless otherwise provided for in a decentralized
12 unincorporated nonprofit association's formation agreement, an
13 association may reimburse a member or an administrator for
14 authorized expenses reasonably incurred on behalf of the
15 association.

16 B. An association shall have the power to indemnify
17 a member or an administrator or a former member or
18 administrator of the association against reasonable expenses,
19 costs and attorney fees actually and reasonably incurred by the
20 member or administrator in connection with the defense of any
21 action, suit or proceeding, civil or criminal, in which the
22 member or administrator is made a party by reason of being or
23 having been a member or an administrator. The indemnification
24 may include any amounts paid to satisfy a judgment or to
25 compromise or settle a claim. The member or administrator

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1 shall not be indemnified if the member or administrator is
2 found to be liable on the basis that the member or
3 administrator has breached or failed to perform the duties of
4 the member's or administrator's position and the breach or
5 failure to perform constitutes willful misconduct or
6 recklessness. Advance indemnification may be allowed for
7 reasonable expenses to be incurred in connection with the
8 defense of the action, suit or proceeding; provided that the
9 member or administrator shall reimburse the association if it
10 is subsequently determined that the member or administrator was
11 not entitled to indemnification. An association may make any
12 other indemnification as authorized by the association's
13 formation agreement or by a resolution adopted after notice to
14 the members entitled to vote.

15 SECTION 22. [NEW MATERIAL] DISSOLUTION.--

16 A. A dissolved decentralized unincorporated
17 nonprofit association shall wind up its operations and the
18 association shall continue after dissolution only for the
19 purpose of winding up.

20 B. The assets of an association in the process of
21 dissolution shall be applied and distributed as follows:

22 (1) all liabilities and obligations of the
23 association shall be paid and discharged, or adequate provision
24 shall be made therefor;

25 (2) assets held by the association on

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1 condition requiring return, transfer or conveyance, which
2 condition occurs by reason of the dissolution, shall be
3 returned, transferred or conveyed in accordance with those
4 requirements;

5 (3) assets received and held by the
6 association subject to limitations permitting their use only
7 for charitable, religious, eleemosynary, benevolent,
8 educational or similar purposes, but not held upon a condition
9 requiring return, transfer or conveyance by reason of the
10 dissolution, shall be transferred or conveyed to one or more
11 nonprofit organizations engaged in activities substantially
12 similar to those of the dissolving association, pursuant to a
13 plan of distribution adopted by the members;

14 (4) other assets, if any, shall be distributed
15 in accordance with the provisions of the association's
16 formation agreement, but in no event shall a member, a former
17 member, an administrator or a former administrator receive
18 directly or indirectly a distribution or portion of a
19 distribution of any assets; and

20 (5) any remaining assets may be distributed to
21 such persons or organizations, whether for-profit or nonprofit,
22 as may be specified in a plan of distribution adopted by the
23 members.