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FISCAL IMPACT REPORT

SPONSOR <u>Dixon/Hernandez, J.</u>	LAST UPDATED _____
	ORIGINAL DATE <u>2/24/2025</u>
SHORT TITLE <u>Decentralized Unincorporated Nonprofit Act</u>	BILL NUMBER <u>House Bill 363</u>
	ANALYST <u>Dinces</u>

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT*

(dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
SOS	No fiscal impact	Indeterminate but minimal	Indeterminate but minimal	Indeterminate but minimal	Recurring	General Fund

Parentheses () indicate expenditure decreases.
 *Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency Analysis Received From
 New Mexico Attorney General (NMAG)
 State Commission of Public Records
 Secretary of State (SOS)
 Economic Development Department (EDD)

Agency Analysis was Solicited but Not Received From
 Department of Finance and Administration (DFA)
 Department of Information Technology (DOIT)

SUMMARY

Synopsis of House Bill 363

House Bill 363 (HB363) creates the Decentralized Unincorporated Nonprofit Association Act, which governs and allows for the formation of decentralized unincorporated nonprofit associations in New Mexico. These entities would: 1) have two or more members joined under a written agreement for a common purpose, 2) elect to be formed under the act, and 3) are not formed under any other law governing the association’s organization or operation.

The bill also establishes baseline requirements for decentralized unincorporated nonprofit associations and provides definitions and regulations for governing authority, property holdings, use of distributed ledger technology such as smart contracts, management, membership interests, voting rights, liability, the withdrawal of members, and dissolution of the association.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns if enacted, or June 20, 2025.

FISCAL IMPLICATIONS

Creating a new type of entity could impact the Secretary of State (SOS) but likely minimally as they already are responsible for helping with education, compliance, and enforcement for other types of businesses or organizations. SOS states they will have additional administrative duties associated with education, compliance, and enforcement.

SIGNIFICANT ISSUES

So far, few states have created regulations regarding decentralized, unincorporated nonprofits (DUNAS). These organizations use blockchain technology to govern and operate as a nonprofit. DUNAs are separate from their members, and members have limited liability for the organization's actions. In 2024, Wyoming formalized the formation and management of these decentralized unincorporated nonprofits into statute.

According to SOS:

HB363 does not indicate specific fees associated with these filings. However, pursuant to 53-2-1 NMSA 1978, the Legislature has contemplated fees for various different types of corporate filings including incorporation documents, amendments, and intentions to dissolve. Nonprofit corporations are individually required to pay a fee of \$25 upon filing. These fees go to the general fund. Outlining a \$25 fee associated with filings for these new associations would bring them into alignment with other entities.

TECHNICAL ISSUES

According to the New Mexico Attorney general:

Section 13 provides for the expulsion of members. Section 14(A) provides for the resignation of members. Yet, Section 14(B) contains the exact same language as Section 13(C): “expulsion of a member does not relieve the member of obligation incurred...before the expulsion.” Legislators may consider revising the language of Section 14(B) to clarify that resignation, instead of expulsion, does not relieve a member of previously incurred obligations.

SD/hj/SL2