

MEMORANDUM: LEGISLATIVE EXECUTIVE SUMMARY

TO: Members of the Texas State Legislature

FROM: The East Texas Legacy Coalition

Fawn Zion - Lufkin, Texas

SUBJECT: The Texas Corporate Power Reset Act — A State-Level Bypass of Citizens United

THE CRISIS OF SOVEREIGNTY

Massive, multi-billion dollar industrial entities are actively leveraging unlimited, anonymous corporate capital to dictate Texas policy and drain critical state resources, such as the Carrizo-Wilcox Aquifer. Under the federal Citizens United ruling, attempting to restrict corporate political "speech" via the Texas Election Code guarantees a federal injunction. We cannot wait for a constitutional amendment to protect Texas land, water, and citizens from out-of-state corporate overreach.

THE LEGAL BYPASS: REDEFINING CORPORATE POWER, NOT SPEECH

The Texas Corporate Power Reset Act bypasses federal First Amendment challenges by shifting the battlefield from the Election Code to the Business Organizations Code (TBOC).

Since 1819 (*Trustees of Dartmouth College v. Woodward*), the U.S. Supreme Court has held that corporations are artificial entities created strictly by state law. A corporation possesses only the powers that the State expressly grants it in its charter. Texas has the absolute, unassailable sovereign authority to define the powers of the entities it creates, and to define the rules for foreign entities requesting to do business within our borders. If Texas grants a corporation the power to exist, Texas holds the authority to dictate what powers it does not possess.

THE LEGISLATIVE MECHANISM

Instead of attempting to unconstitutionally restrict corporate speech, this Act simply updates TBOC Section 2.101 (General Powers) to explicitly declare that the State of Texas does not grant corporations the power to expend corporate treasury funds on political elections or ballot measures.

1. Closes the Super PAC Loophole: Corporations will no longer possess the legal power to funnel dark money into independent expenditures.

2. Captures Foreign Entities: Out-of-state corporations operating in Texas must abide by Texas limits on corporate powers, ensuring local Texas businesses and citizens are not outspent by Delaware or California boardrooms.

ENFORCEMENT: THE ULTIMATE DETERRENT

Fines are merely the cost of doing business for industrial giants. This Act introduces strict, existential enforcement: any entity found violating its authorized state powers by spending treasury money on Texas elections will face the immediate revocation of its certificate of formation or registration. They will lose their legal right to hold state contracts, receive tax subsidies, or transact business in the State of Texas.

A BILL TO BE ENTITLED AN ACT

Relating to the general powers of domestic entities and foreign entities registered to transact business in this state; explicitly defining and limiting the authority to make political expenditures.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. SHORT TITLE. This Act may be cited as the Texas Corporate Power Reset Act.

SECTION 2. LEGISLATIVE FINDINGS AND INTENT.

(a) The Legislature finds that corporations and domestic entities are artificial beings, invisible, intangible, and existing only in contemplation of state law.

(b) The Legislature finds that as creatures of state law, such entities possess only those properties, rights, and powers which the charter of their creation confers upon them, either expressly or as incidental to their very existence.

(c) The intent of this Act is to clarify that the State of Texas does not grant, and has never intended to grant, domestic or foreign entities the power to expend corporate treasury funds to influence elections, ballot measures, or political processes within this state.

SECTION 3. AMENDMENT TO GENERAL POWERS. Section 2.101, Business Organizations Code, is amended by adding Subsection (b) to read as follows:

(b) Notwithstanding any other provision of this code, the general powers of a domestic entity do not include the power to make an independent expenditure, political contribution, or direct campaign expenditure, as those terms are defined by Section 251.001, Election Code, in connection with any state or local election, recall election, or ballot measure in this state.

SECTION 4. APPLICATION TO FOREIGN ENTITIES. Subchapter B, Chapter 9, Business Organizations Code, is amended by adding Section 9.056 to read as follows:

Sec. 9.056. LIMITATION ON POLITICAL POWERS OF FOREIGN ENTITIES. A foreign entity registered to transact business in this state shall not exercise any power in this state that a domestic entity is prohibited from exercising under Section 2.101(b).

SECTION 5. ENFORCEMENT AND PENALTIES. Subchapter E, Chapter 9, Business Organizations Code, is amended by adding Section 9.205 to read as follows:

Sec. 9.205. REVOCATION FOR UNAUTHORIZED POLITICAL EXPENDITURES.

(a) If the secretary of state receives a final, non-appealable determination from the Texas Ethics Commission or a court of competent jurisdiction that a domestic or foreign entity has violated Section 2.101(b) or Section 9.056, the secretary of state shall immediately revoke the registration or certificate of formation of that entity.

(b) An entity whose registration or certificate of formation is revoked under this section is strictly prohibited from holding state contracts, receiving state tax subsidies, or transacting business in the State of Texas.

SECTION 6. EFFECTIVE DATE.

This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2027.