BENEFIT CORPORATIONS FAQ

This document is intended to assist the public in understanding Wisconsin’s Benefit Corporations Law.

Question 1. What is a benefit corporation?

A benefit corporation is a business entity organized under Chapter 204 of the Wisconsin Statutes to create a public benefit, in addition to any other corporate purpose under section 180.0301.

Question 2. What is considered a “public benefit” under the law?

Chapter 204 identifies two categories of public benefits: general and specific.

A general public benefit means a “material positive impact on society and the environment by the operations of a benefit corporation taken as a whole, through activities that promote some combination of specific public benefits.” Wis. Stat. § 204.102 (5). A benefit corporation must have a purpose of creating a general public benefit.

In addition, a benefit corporation’s articles of incorporation may—but are not required to—identify specific public benefits that it seeks to create. Specific public benefits include the following:

(a) Providing low-income or underserved individuals or communities with beneficial products or services.
(b) Promoting economic opportunity for individuals or communities beyond the creation of jobs in the normal course of business.
(c) Preserving the environment.
(d) Improving human health.
(e) Promoting the arts, sciences, or advancement of knowledge.
(f) Increasing the flow of capital to entities with a public benefit purpose.
(g) The accomplishment of any other particular benefit for society or the environment.

Wis. Stat. § 204.102 (7).

Question 3. Are corporations that create public benefits required to register as benefit corporations?

Not necessarily. A benefit corporation is an entity type tailored for organizations that make public benefits a fundamental part of their business models, but public benefits can be provided through more conventional entity types, as well. For example, the Wisconsin Statutes authorize directors
of traditional corporations to consider the effects of their decisions on the broader community, rather than just the company’s shareholders. *Wis. Stat. § 180.0827.* You may wish to consult with legal counsel to determine the most suitable entity type for your organization’s particular business plans.

**Question 4. What are the duties of the board of directors of a benefit corporation? How do those duties compare to traditional corporations?**

Directors of traditional corporations formed under Chapter 180 are required to consider the best interests of the corporation and its shareholders. They may also consider the effects of their decisions on the broader community, but the governing statutes do not require them to do so.

Directors of benefit corporations under Chapter 204, by contrast, are required to consider the interests of the public as well as the corporation and its shareholders. Chapter 204 requires directors of benefit corporations to consider all the following when discharging their duties:

1. The shareholders of the benefit corporation.
2. The employees and workforce of the benefit corporation and its subsidiaries and suppliers.
3. The interests of customers as beneficiaries of the general public benefit or specific public benefit purposes of the benefit corporation.
4. Community and societal factors, including those of any community in which offices or facilities of the benefit corporation or its subsidiaries or suppliers are located.
5. The local and global environment.
6. The short-term and long-term interests of the benefit corporation, including benefits that may accrue to the benefit corporation from its long-term plans and the possibility that these interests may be best served by the continued corporate independence of the benefit corporation.
7. The ability of the benefit corporation to accomplish its general public benefit purpose and any specific public benefit purpose.

*Wis. Stat. § 204.301(1).*

**Question 5. What additional operational requirements apply to benefit corporations?**

A benefit corporation must elect a benefit director, and it may designate a benefit officer. *See Wis. Stat. §§ 204.302 and 204.304.* The benefit director may also serve as the benefit officer.

In addition, a benefit corporation is required to send an annual benefit statement to shareholders explaining the board’s objectives for creating public benefits, the standards it has adopted to measure the corporation’s progress toward those objectives, and how well the benefit corporation is meeting them. The statement must be sent within 30 days of the end of the benefit corporation’s fiscal year. *See Wis. Stat. ch. 204, subch. IV.*
Question 6.  How do I form a benefit corporation, or convert a standard corporation to one?

Benefit corporations are formed the same way as traditional corporations under Wisconsin chapter 180, except the articles of incorporation must also state the corporation is a benefit corporation. Wis. Stat. § 204.103. The articles may also, but are not required to, provide additional details regarding the public benefits the corporation seeks to create, third-party certifications it seeks to attain or standards it will employ, and whether it will make its annual benefit statements public. Wis. Stat. §§ 204.201; 204.401.

Converting a standard corporation to a benefit corporation may be accomplished by amending the articles of incorporation, or through a fundamental transaction (merger, consolidation, etc.) where the surviving corporation is a benefit corporation. Either type of conversion must be preceded by the affirmative approval of holders of at least two-thirds of all shares entitled to vote on the matter. Wis. Stat. § 204.104.

Question 7.  How do I convert a current benefit corporation to a standard corporation?

The articles of incorporation may be amended to remove the benefit corporation provisions. Wis. Stat. § 204.105.

Question 8.  What are examples of third-party standards and third-party certifications?

A benefit corporation’s articles of incorporation may address public benefits with reference to third-party standards or certifications. Third-party standards and certifications for benefit corporations come in many forms, but typically require the corporation to meet specific public benefit criteria in categories such as governance, workforce, community, environmental impact, and the like. Common examples range from meeting “Fair Trade” standards for business practices to comprehensive certification programs such as through B Lab.