

As Introduced

136th General Assembly

Regular Session

2025-2026

S. B. No. 146

Senators Gavarone, Timken

To enact section 2307.36 of the Revised Code to 1
codify the elements of the common law cause of 2
action for "piercing the corporate veil." 3

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF OHIO:

Section 1. That section 2307.36 of the Revised Code be 4
enacted to read as follows: 5

Sec. 2307.36. (A) As used in this section: 6

(1) "Affiliate" and "beneficial owner" have the same 7
meanings as in section 1704.01 of the Revised Code. 8

(2) "Covered entity" means a corporation, limited 9
liability company, limited partnership, or any other entity 10
organized under the laws of any jurisdiction, domestic or 11
foreign, of which the covered persons, owners, or members are 12
generally not responsible for the debts and obligations of the 13
covered entity. Nothing in this section limits or otherwise 14
affects the liabilities imposed on a general partner of a 15
limited partnership. 16

(3) "Covered person" means any of the following: 17

(a) A person who is the holder, beneficial owner, or 18
subscriber of shares or any other ownership interest of a 19

<u>covered entity;</u>	20
<u>(b) A member, officer, director, agent, or employee of a</u>	21
<u>covered entity;</u>	22
<u>(c) An affiliate of any person who is described in</u>	23
<u>division (A) (3) (a) of this section or any of the affiliate's</u>	24
<u>officers, directors, or employees.</u>	25
<u>(4) "Damages or civil penalties" means damages of any</u>	26
<u>kind, or civil penalties, for which liability may exist under</u>	27
<u>the laws of this state resulting from, arising out of, or</u>	28
<u>related to an obligation or liability of a covered entity.</u>	29
<u>(5) "Piercing the corporate veil" means any and all common</u>	30
<u>law doctrines by which a covered person may be liable for an</u>	31
<u>obligation or liability of a covered entity on the basis that</u>	32
<u>the covered person controlled the covered entity, the covered</u>	33
<u>person is or was the alter ego of the covered entity, or the</u>	34
<u>covered entity has been used for the purpose of actual or</u>	35
<u>constructive fraud or as a sham to perpetrate a fraud, or any</u>	36
<u>other common law doctrine by which the covered entity is</u>	37
<u>disregarded for purposes of imposing liability on a covered</u>	38
<u>person for the debts or obligations of that covered entity.</u>	39
<u>(6) "Person" means any of the following:</u>	40
<u>(a) A natural person;</u>	41
<u>(b) A corporation, whether for profit or nonprofit;</u>	42
<u>(c) A partnership;</u>	43
<u>(d) A limited liability company;</u>	44
<u>(e) A business trust;</u>	45
<u>(f) An estate;</u>	46

<u>(g) A trust;</u>	47
<u>(h) An unincorporated society or association;</u>	48
<u>(i) Two or more persons having a joint or common interest;</u>	49
<u>(j) Every organized body, office, or agency established by</u>	50
<u>the Ohio Constitution or the laws of this state for the exercise</u>	51
<u>of any function of state government.</u>	52
<u>(B) A covered person has no obligation to, and has no</u>	53
<u>liability to, any person for damages or civil penalties, unless</u>	54
<u>the person seeks to pierce the corporate veil, demonstrating all</u>	55
<u>of the following:</u>	56
<u>(1) The covered person exerted such control over the</u>	57
<u>covered entity that the covered entity had no separate mind,</u>	58
<u>will, or existence of its own.</u>	59
<u>(2) The covered person caused the covered entity to be</u>	60
<u>used for the purpose of perpetrating, and the covered entity</u>	61
<u>perpetrated, an actual fraud on the person seeking to pierce the</u>	62
<u>corporate veil primarily for the direct pecuniary benefit of the</u>	63
<u>covered person.</u>	64
<u>(3) The person seeking to pierce the corporate veil</u>	65
<u>sustained an injury or unjust loss as a direct result of the</u>	66
<u>control described in division (B) (1) of this section and the</u>	67
<u>fraud described in division (B) (2) of this section.</u>	68
<u>(C) A court shall not find the covered person to have</u>	69
<u>exerted such control over the covered entity that the covered</u>	70
<u>entity did not have a separate mind, will, or existence of its</u>	71
<u>own or to have caused the covered entity to be used for the</u>	72
<u>purpose of perpetrating an actual fraud solely as a result of</u>	73
<u>any of the following actions, events, or relationships:</u>	74

(1) The covered person is an affiliate of the covered 75
entity and provides legal, accounting, consulting, treasury, 76
cash management, human resources, administrative, or other 77
similar services to the covered entity, leases assets to the 78
covered entity, or makes its employees available to the covered 79
entity. 80

(2) The covered person is an owner, officer, director, 81
agent, or employee of the covered entity that acted or failed to 82
act within the scope of the covered person's authority or 83
employment. 84

(3) The covered person loans funds to the covered entity 85
or guarantees the obligations of the covered entity. 86

(4) The officers and directors of the covered person are 87
also the officers and directors of the covered entity. 88

(5) The covered entity makes payments of dividends or 89
other distributions to the covered person or repays loans owed 90
to the covered person. 91

(6) In the case of a covered entity that is a limited 92
liability company, the covered person or its employees or agents 93
serves as the manager of the covered entity. 94

(D) The person making a claim for damages or civil 95
penalties against a covered person has the burden of proof on 96
each and every element of the person's claim and must prove each 97
element by a preponderance of the evidence. 98

(E) Any liability or obligation of the covered person for 99
damages or civil penalties as described in division (B) of this 100
section and limited by that division is exclusive and preempts 101
any other related obligation or liability imposed upon that 102
covered person for those damages or civil penalties under the 103

common law, any section of the Revised Code or the 104
Administrative Code, or otherwise. 105

(F) This section applies to all claims for damages or 106
civil penalties brought against a covered person commenced on or 107
after the effective date of this section or commenced prior to 108
and pending on the effective date of this section. 109

(G) (1) The general assembly, in enacting this section, 110
intends to codify the elements of the common law cause of action 111
for piercing the corporate veil, and to abrogate statutory and 112
common law causes of action and remedies involving claims for 113
damages or civil penalties brought against a covered person. 114
Nothing in this section shall be construed as creating a right 115
or cause of action that did not exist under the common law as it 116
existed on the effective date of this section. 117

(2) The general assembly finds that this section, as 118
enacted by this act, is remedial in nature. Therefore, it is the 119
intent of the general assembly in enacting this section to 120
provide for both the prospective and retroactive application of 121
the codification of the common law doctrine of piercing the 122
corporate veil, and the abrogation of statutory and common law 123
causes of action and remedies involving damages or civil 124
penalties from a covered person, including those actions that 125
are pending on the effective date of this act. If, however, the 126
supreme court determines, in any litigation that may be 127
commenced to contest the constitutionality of this section, that 128
the retroactive application of any provision of this section 129
would be violative of either the United States Constitution or 130
the Ohio Constitution, it is the intent of the general assembly 131
that the severability provision of section 1.50 of the Revised 132
Code be applied, that the retroactive application of the 133

<u>contested provision be severed, and that the remaining</u>	134
<u>provisions of this section be given prospective application</u>	135
<u>consistent with section 1.48 of the Revised Code.</u>	136