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**LIMITED LIABILITY COMPANY:
INCLUDE MANAGER AS PRINCIPAL**

**House Bill 5487 as introduced
First Analysis (2-10-98)**

**Sponsor: Rep. Kirk Profit
Committee: Regulatory Affairs**

THE APPARENT PROBLEM:

Public Act 123 of 1997 (Senate Bill 228) amended the Michigan Limited Liability Company Act to specify that a professional limited liability company (LLC) could engage in the practice of architecture, professional engineering, or professional surveying in Michigan if at least two-thirds of the company's members or managers were licensed in the state to render the professional service offered (MCL 450.4904). Public Act 122 of 1997 (Senate Bill 227) amended Article 20 of the Occupational Code, entitled Architects, Professional Engineers, and Land Surveyors, to include a member of an LLC in the articles's definition of "principal" and so allow architects, engineers, and surveyors to practice through an LLC if at least two-thirds of the members of the LLC are licensed under the code (MCL 339.2001).

According to the Business Law Section of the State Bar of Michigan, an inconsistency now exists between Public Acts 122 and 123, with the former allowing only members of an LLC to meet the two-thirds licensing requirement and the latter allowing members and managers to meet the requirement. Legislation has been proposed to further amend the Occupational Code to reconcile the code with the Limited Liability Company Act.

THE CONTENT OF THE BILL:

Public Act 122 of 1997 amended Article 20 of the Occupational Code, entitled Architects, Professional Engineers, and Land Surveyors, to include a limited liability company (LLC) in the article's definition of "firm" and to add a member of an LLC to the definition of "principal". "Principal" currently is defined as being a sole proprietor, partner, the president, vice-president, secretary, treasurer, or director of a corporation, or a member of a limited liability company. House Bill 5487 would further amend the article's definition of "principal" to include a manager of a limited liability company.

MCL 339.2001

FISCAL IMPLICATIONS:

The House Fiscal Agency reports that the bill would not have a state or local fiscal impact. (2-9-98)

ARGUMENTS:

For:

According to information supplied by the Business Law Section of the State Bar of Michigan, managers of a limited liability company fulfill a similar function as directors of a corporation. Currently, Michigan law permits architects, engineers, and surveyors to practice through a corporation provided at least two-thirds of the corporation's directors are licensed to perform at least one of the services offered by the corporation. Therefore, the bill would enable those professionals who currently practice through corporations to also practice through limited liability companies as long as at least two-thirds of the managers or members were licensed. Further, the bill would bring the Occupational Code into conformity with provisions of the Limited Liability Company Act.

POSITIONS:

The Department of Consumer and Industry Services supports the bill. (2-9-98)

Analyst: S. Stutzky

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