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SFA BILL ANALYSIS

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House Bill 4606 (Substitute H-1 as reported without amendment)
Sponsor: Representative Kirk Profit
House Committee: Commerce
Senate Committee: Financial Services

CONTENT

The bill would amend the Michigan Limited Liability Company (LLC) Act to eliminate the requirements that an LLC be organized and operated by two or more members, and that an LLC limit its corporate characteristics to one of the following: centralized membership, continuity of life, and free transferability of interests.

The bill also would make the maximum duration of an LLC perpetual unless otherwise provided in the articles of organization.

The bill would add new language regarding mergers between domestic LLCs and other business entities (domestic or foreign corporations, limited partnerships, general partnerships, or other businesses). It would allow mergers between these types of businesses as long as the merger was permitted under the law of the jurisdiction in which each business was located, each foreign constituent business organization complied with applicable Michigan laws, and each domestic LLC complied with the provisions of the bill. The bill would require the adoption of a plan of merger describing the merging businesses, the surviving business entity, and the terms and conditions of the proposed merger. The plan would have to be approved by each constituent domestic LLC affected, and dissenting members could withdraw.

The bill also would allow a domestic partnership or domestic limited liability partnership to convert to an LLC. Terms and conditions of a conversion would have to be approved by the partners in the same manner as amendments to the partnership agreement and a $25 fee would have to be paid to the "administrator" (the Department of Consumer and Industry Services) to obtain a required certificate of conversion.

Under the Act, voting on business matters and distributions of an LLC's assets are based upon the proportionate amount of contributions (cash, property, services, etc.) made by each member to the company. Under the bill, each member of an LLC would have one vote, and distributions would be made in equal shares (although a company in existence on the bill's effective date could choose to continue to distribute assets proportionately).

MCL 450.4102 et al. Legislative Analyst: P. Affholter

FISCAL IMPACT

This bill would create a new filing to allow conversion from a partnership to an LLC. A $25 fee would be required to obtain the certificate of conversion from the Department of Consumer and Industry Services. According to the Department, this new fee would generate additional revenue for the Department, but would be used to offset the additional administrative costs incurred by the Department for the establishment of this new filing system.

Date Completed: 5-27-97 Fiscal Analyst: M. Tyszkiewicz

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