

Senate Fiscal Agency
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Senate Bill 1014 (as passed by the Senate)
Sponsor: Senator Bill Schuette
Committee: Economic Development, International Trade and Regulatory Affairs

Date Completed: 7-27-00

RATIONALE

In recent years, individuals wishing to organize a business or those already in business have been looking into a new form of business entity, the limited liability company (LLC), that combines advantages of a partnership and a corporation. A limited liability company is an entity that is an unincorporated membership organization formed under the Michigan Limited Liability Company Act. It provides its members with protection against personal liability for the debts of the business, and offers them flexibility in structuring the company's internal organization, management, and procedures.

Under the Act, each LLC authorized to transact business in Michigan must maintain a resident agent in this State. A resident agent may be either an individual resident in the State whose business office or residence is identical to the LLC's registered office, or a domestic corporation, a foreign corporation authorized to transact business in Michigan, a domestic limited liability company, or a foreign limited liability company authorized to transact business in this State, that has a business office identical to the registered office. The resident agent appointed by an LLC is an agent of the company upon whom any process, notice, or demand required or permitted by law to be served upon the company may be served.

Apparently, there was a situation in which a local entity was appointed a resident agent by an LLC without knowledge of the matter. It has been suggested that, in order to ensure legitimate and fair business practices, appointment of a resident agent should not take place without a signed consent.

CONTENT

The bill would amend the Michigan Limited Liability Company Act to provide that the appointment of a person as a resident agent of a limited liability company in a document filed under the Act would not be effective unless the document included the signed consent of the person to the appointment.

MCL 450.4207

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

By requiring a signed consent to the appointment, the bill would ensure that a person or entity would not be appointed as a resident agent of an LLC without knowledge of the appointment. It would prevent an unsuspecting person from being burdened with resident agent responsibilities, which can include receiving and forwarding important legal and tax documents such as papers filed in a lawsuit, franchise tax forms, and annual report forms.

Legislative Analyst: N. Nagata

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

Fiscal Analyst: M. Tyszkiewicz

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.