



House Office Building, 9 South
Lansing, Michigan 48909
Phone: 517/373-6466

UCC: WRITTEN CONTRACT FOR THE SALE OF GOODS

House Bill 4487 as introduced
First Analysis (6-6-01)

Sponsor: Rep. James Koetje
Committee: Commerce

THE APPARENT PROBLEM:

Article 2 of the Uniform Commercial Code says that a contract for the sale of goods for a price of \$500 or more is generally not enforceable unless there is a "writing" sufficient to indicate that a contract for sale has been made between the parties and signed by the party against whom enforcement is sought or his or her authorized agent or broker. (The law provides for exceptions.) This is part of what lawyers refer to as the Statute of Frauds, and it is said to be the subject of a great deal of case law. This dollar amount has been in the law for nearly 40 years. Legislation has been introduced to make a modest increase in the threshold amount, to \$1,000.

THE CONTENT OF THE BILL:

Under Chapter 2 of the Uniform Commercial Code, a contract for the sale of goods for a price of \$500 or more is generally not enforceable unless there is a "writing" sufficient to indicate that a contract for sale has been made between the parties and signed by the party against whom enforcement is sought or his or her authorized agent or broker. House Bill 4487 would amend this provision to increase the minimum amount to \$1,000.

[The term "goods" is defined in the code, at Section 2105, to mean "all things (including specially manufactured goods) which are movable at the time of identification for the contract for sale other than the money in which the price is to be paid, investment securities . . . and things in action." The term also includes "the unborn young of animals and growing crops and other identified things attached to realty as described in . . . Section 2107", which refers among other things to minerals and timber severed by the seller. Section 2105 also contains some other related provisions about what constitutes "goods".]

MCL 440.2201

BACKGROUND INFORMATION:

The National Conference of Commissioners on Uniform State Laws is in the process of rewriting Article 2 of the Uniform Commercial Code. The most recent draft of proposed amendments dated May 1, 2001, and described as for discussion purposes only, would raise the threshold amount addressed in this bill to \$5,000.

FISCAL IMPLICATIONS:

The House Fiscal Agency reports that the bill would have no fiscal impact on the state or on local units of government. (Fiscal note dated 6-4-01)

ARGUMENTS:

For:

The increase proposed by the bill is reasonable. If the amount found in the code was adjusted by inflation since its enactment in 1962, say proponents, the amount would be about \$3,000. Instead, the bill would make a more modest adjustment. Generally speaking, supporters say, the bill would allow the enforcement of a contract for sale of goods of less than \$1,000 without a written contract. No other provisions of the statute would be affected.

POSITIONS:

The National Federation of Independent Business (NFIB) supports the bill. (6-5-01)

Analyst: C. Couch

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.