

Senate Fiscal Agency
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SFA**BILL ANALYSIS**

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Senate Bill 738 (as enrolled)
Sponsor: Senator Bill Bullard, Jr.
Committee: Financial Services

Date Completed: 11-14-01

RATIONALE

In 1972, the Business Corporation Act was passed to regulate the manner in which corporations must be organized, operated, and dissolved, among other matters. Certain sections of the Act overlap sections of an older law, the Revised Judicature Act (RJA). Since 1973, the State Bar of Michigan and the Legislature have been working on repealing and amending those sections of the RJA. According to the Business Law Section of the State Bar of Michigan, a section in the Business Corporation Act duplicates Section 2021 of the RJA. This section of the RJA prohibits a foreign (out-of-State) corporation from filing a lawsuit based on an act the corporation is forbidden to do. It has been suggested that the RJA section be amended so that only one statute would apply to each foreign corporation.

CONTENT

The bill would amend the Revised Judicature Act to make an exception to the prohibition under which a foreign corporation may not file a lawsuit based on an act the corporation is forbidden to do by State law. Under the bill, this restriction would not apply to a foreign corporation subject to the Business Corporation Act or the Nonprofit Corporation Act.

MCL 600.2021

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

Section 2021 of the RJA is duplicated in Section 1051 of the Business Corporation Act.

This section states that a foreign corporation transacting business in the State without a certificate of authority must not maintain an action or proceeding in any court until the corporation has obtained a certificate of authority. To prevent the law from being duplicative, the bill states that the prohibition would not apply to any corporation subject to the Business Corporation Act or the Nonprofit Corporation Act. (Some corporations, such as some foreign banks, bridge and tunnel companies, co-ops, and selected insurance companies are not subject to either of these Acts.) Therefore, maintaining this section in the RJA, rather than repealing it altogether, would ensure that all foreign corporations were subject to one Act or the other, but not both.

Legislative Analyst: C. Layman

FISCAL IMPACT

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

Fiscal Analyst: B. Bowerman

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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.