



Senate Fiscal Agency  
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## BILL ANALYSIS



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Senate Bills 1445 and 1446 (as reported without amendment)  
Sponsor: Senator Jason E. Allen (S.B. 1445)  
          Senator Jim Barcia (S.B. 1446)  
Committee: Commerce and Tourism

**CONTENT**

Senate Bill 1445 would amend the Michigan Limited Liability Company (LLC) Act to define "low-profit limited liability company" as an LLC that has included in its articles of organization a purpose that meets, and that at all times conducts its activities to meet, all of the following requirements:

- The LLC significantly furthers the accomplishment of one or more charitable or educational purposes described in Section 170(c)(2)(b) of the Internal Revenue Code (IRC), and would not have been formed except to accomplish those charitable or educational purposes.
- The production of income or appreciation of property is not a significant purpose of the LLC.
- The purposes of the LLC do not include accomplishing one or more political or legislative purposes described in Section 170(c)(2)(d) of the IRC.

The bill specifies that, in the absence of other factors, the fact that the LLC produced significant income or capital appreciation would not be conclusive evidence of a significant purpose involving the production of income or the appreciation of property.

(Section 170 of the IRC allows a tax deduction for any charitable contribution paid within the taxable year. Section 170(c) defines "charitable contribution". Section 170(c)(2)(b) includes in that definition a contribution to a corporation, trust, or community chest, fund, or foundation organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or to foster national or international amateur sports competition, or for the prevention of cruelty to children or animals. Section 170(c)(2)(d) includes a contribution to a corporation, trust, or community chest, fund, or foundation that is not disqualified for tax exemption under Section 501(c)(3) of the IRC by reason of attempting to influence legislation, and that does not participate in, or intervene in any political campaign on behalf of or in opposition to any candidate for public office.)

Senate Bill 1446 would amend the LLC Act to require the name of a low-profit LLC to contain the words "low-profit limited liability company", or the abbreviation "L.3.C.", with or without periods or other punctuation.

The bill also would allow the Attorney General to bring a circuit court action for dissolution of a low-profit LLC that ceased to meet any of the requirements described in the proposed definition of "low-profit limited liability company" and, for 60 days after it ceased to meet those requirements, failed to file a certificate of amendment amending its name to conform with the naming requirements for an LLC.

**FISCAL IMPACT**

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

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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.