



Senate Fiscal Agency
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Senate Bill 623 (Substitute S-1 as reported)
Senate Bill 624 (Substitute S-1 as reported)
Senate Bill 929 (as reported without amendment)
Sponsor: Senator Mike Kowall (S.B. 623)
 Senator Rick Jones (S.B. 624)
 Senator Steven Bieda (S.B. 929)
Committee: Economic Development

CONTENT

Senate Bill 623 (S-1) would amend the Nonprofit Corporation Act to do the following, among other things:

- Allow electronic voting on, and notice of, various corporate matters.
- Revise voting requirements for the merger or dissolution of a corporation.
- Allow a corporation's board, or an individual the board designated, to appoint one or more nonexecutive committees to assist in conducting the board's affairs.
- Allow a nonprofit corporation to provide "services in a learned profession" (i.e., services provided by a dentist, an osteopathic physician, a physician, a surgeon, a doctor of divinity or other clergy, or an attorney at law).
- Limit members' and shareholders' ability to obtain certain corporate information.
- Revise a provision that allows a corporation's articles of incorporation to eliminate a volunteer's liability to the corporation for money damages, and extend this provision to a director.
- Revise and expand upon provisions concerning the indemnification of a director, officer, employee, nondirector volunteer, or agent, who is or is threatened to be made a party to a civil, administrative, or criminal suit, action, or proceeding.
- Delete a filing fee applicable to foreign corporations and add other filing fees that would apply to foreign corporations.

The bill also would repeal multiple sections of the Act.

Senate Bill 624 (S-1) would amend Public Act 169 of 1965, which regulates the dissolution of charitable purpose corporations, to prohibit a nonprofit corporation or other entity organized for charitable purposes from merging, converting, or dissolving without the consent of the Attorney General, and establish procedures for securing the Attorney General's consent. A nonprofit corporation or other charitable purpose entity also could not amend or restate its articles of incorporation to become a corporation governed by the Business Corporation Act without the Attorney General's consent.

In addition, the bill would prohibit the Department of Licensing and Regulatory Affairs from accepting a certificate of dissolution or merger, or an amendment to the articles of incorporation or restated articles, from a charitable purpose corporation unless it was accompanied by a circuit court order dissolving the corporation or entity, the written consent of the Attorney General to the dissolution, or an affidavit from the person requesting the consent stating that the Attorney General failed to provide either his or her consent or a written notice specifying the reasons for refusal to consent or requesting additional information, within 120 days.

The bill also would name Public Act 169 the "Dissolution of Charitable Purpose Corporation Act".

Senate Bill 929 would amend the Michigan Limited Liability Company Act to authorize the merger of a domestic limited liability company (LLC) with a nonprofit corporation.

Section 705a of the Act allows one or more domestic LLCs to merge with one or more business organizations under certain circumstances. The bill would include a domestic or foreign nonprofit corporation in the definition of "business organization".

The bill also would define "nonprofit corporation" as a corporation that is incorporated to carry out any lawful purpose or purposes that do not involve pecuniary profit or gain for its directors, officers, shareholders, or members, including a corporation formed under or subject to the Nonprofit Corporation Act.

Each of the bills is tie-barred to the others.

MCL 450.2103 et al. (S.B. 623)
450.251 et al. (S.B. 624)
450.4705a (S.B. 929)

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bills would have an indeterminate fiscal impact on the Department of Licensing and Regulatory Affairs, and no fiscal impact on local units of government. Senate Bill 623 (S-1) would eliminate a \$10 fee for filing a certificate of election and would create new fees for the registration, renewal, and termination of a certificate of registration of a corporate name for a foreign corporation. It is unknown whether the revenue generated from the new fees would be sufficient to replace revenue lost from the elimination of the certificate of election fee. In fiscal year 2011-12, a total of approximately \$940,000 was generated from filing fees paid by nonprofit corporations. The Department has indicated that certificate of election fee revenue was a very small percentage of this, so the fiscal impact of eliminating it would be minor.

Date Completed: 5-20-14

Fiscal Analyst: Josh Sefton

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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.