

## REVISE LIABILITY FOR LIMITED LIABILITY PARTNERSHIPS

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**Senate Bill 841 as passed by the Senate**  
**Sponsor: Sen. Jack Brandenburg**  
**House Committee: Commerce and Trade**  
**Senate Committee: Finance**  
**Complete to 3-13-18**

### SUMMARY:

Senate Bill 841 would amend the Uniform Partnership Act to revise the liability for partners in a limited liability partnership (LLP) in three ways.

Currently under the act, except for a tax obligation of the partnership, a partner of a registered limited liability partnership is not liable for debts, obligations, and liabilities of the partnership arising from negligence, wrongful acts, omissions, misconduct, or malpractice committed while the partnership is registered and in the course of the partnership business by another partner or an employee, agent, or representative of the partnership.

SB 841 would remove this provision. Under the bill, a debt, obligation, or other liability of a partnership incurred while it is a registered LLP would be solely the debt, obligation, or liability of the registered LLP. A partner would not be personally liable, directly or indirectly, by way of contribution or otherwise, for a debt, obligation, or other liability of the registered LLP solely by reason of being or acting as a partner. This would apply regardless of the dissolution of the registered LLP. However, the bill would not affect the personal liability of a partner for a debt, obligation, or other liability of the registered LLP incurred or arising before the effective date of the bill.

Currently under the act, the provision above for limitation of liability does not affect the liability of a partner in a registered LLP for the partner's own negligence, wrongful acts, omissions, misconduct, or malpractice or that of any other person under the partner's direct supervision.

SB 841 would revise this to state that the limitation of liability does not affect the liability of a partner in a registered LLP for the partner's own negligence, wrongful acts, omissions, misconduct, or malpractice, or that of any individual who is under the person's direct supervision, that results in a debt, obligation, or other liability of the registered LLP.

Also under the act, besides the exception for a partner's own negligence described above, a partner in a registered LLP is not a proper party to a proceeding by or against a registered

LLP to recover damages or enforce the obligations arising out the negligence, wrongful acts, omissions, misconduct, or malpractice described above.

SB 841 would revise this to state that, besides the exception for a partner's own negligence, a partner in a registered LLP is not a proper party to a proceeding by or against the registered LLP to recover damages or enforce a debt, obligation, or other liability for which the partner is not liable under the act.

Finally, the bill would add a subsection to state that the failure of a registered LLP to observe any applicable formalities relating to the exercise of its power or management of its business is not a ground for imposing liability on a partner for a debt, obligation, or other liability of the registered LLP.

The bill would take effect 90 days after being enacted into law.

MCL 499.46

**FISCAL IMPACT:**

Senate Bill 841 would not have a fiscal impact on any unit of state or local government.

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