

Legislative Analysis



REVISE LATE FILING FEES FOR LIMITED LIABILITY COMPANIES AND BUSINESS CORPORATIONS

Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 4916 reported from committee w/o amendment

House Bill 4917 reported from committee w/o amendment

Sponsor: Rep. Martin Howrylak

Committee: Commerce and Trade

Complete to 3-21-18

Analysis available at
<http://www.legislature.mi.gov>

BRIEF SUMMARY: House Bills 4916 and 4917 would revise the structure of certain late filing fees for professional limited liability companies (PLLCs) and business corporations. For a PLLC, the late filing fee would change from a \$50 flat fee to a \$10 per month fee. For both PLLCs and corporations, the late fee would be assessed based on month-long periods of delinquency, as opposed to calendar months.

FISCAL IMPACT: House Bills 4916 and 4917 would have an indeterminate fiscal impact on the Department of Licensing and Regulatory Affairs (LARA). The bills could decrease the amount of fees that are collected by the department, but the magnitude of the impact would depend on how many professional limited liability companies and corporations are less than five months delinquent in filing their annual reports.

THE APPARENT PROBLEM:

Michigan law prescribes various incorporation, filing, and late fees for the different types of corporate organizations. For example, business corporations are assessed late fees for payments and reports at the rate of \$10 per calendar month with a maximum total of \$50, while professional limited liability companies are assessed late fees for annual reports at a flat \$50 rate, regardless of how late. Some believe that the differing structures are unfair and potentially confusing. Legislation has been introduced to harmonize the late filing fee structures for PLLCs and corporations.

THE CONTENT OF THE BILLS:

House Bill 4916 would amend the Michigan Limited Liability Company Act, the act that provides for the organization and regulation of limited liability companies, to revise a late filing fee. Currently under the act, a professional limited liability company must file with the Department of Licensing and Regulatory Affairs (LARA) an annual report and \$50 filing fee by February 15 of each year. If the report is not filed or the fee is not paid by February 15, a \$50 late fee is added.

Under the bill, if a professional limited liability company did not file the annual report or pay the fee within the time specified, the company would be subject to a penalty of \$10 for each 1-month period or part of a 1-month period that the company was delinquent or \$50, whichever is less.

MCL 450.4909

House Bill 4917 would amend the Business Corporation Act, the act that provides for the organization and regulation of corporations, to make similar revisions. Currently under the act, if a corporation does not file a report or pay a fee required under the act within the time specified, the corporation is subject to a penalty of \$10 for each month or part of a month that the corporation is delinquent, not to exceed \$50.

Under the bill, if a domestic or foreign corporation neglected or refused to file a report or pay a fee under the act within the time specified, the corporation would be subject to a penalty of \$10 for each 1-month period or part of a 1-month period or \$50, whichever is less.

MCL 450.1921

Each bill would take effect 90 days after being enacted.

ARGUMENTS:

For:

The bills are a simple change that will align the late fees for two different types of business structures and base the late fee on a month-long period rather than a calendar month. A PLLC should not be assessed a \$50 late fee for simply being one day late with its annual report filing, and a corporation should not be assessed additional late fees simply because its late period covers more than one calendar month. These are commonsense solutions to treat these businesses more fairly.

Against:

No arguments were offered in opposition to the bills.

POSITIONS:

The following entities indicated support for the bills:

National Federation of Independent Business (3-13-18)

Michigan Chamber of Commerce (3-13-18)

Legislative Analyst: Patrick Morris

Fiscal Analyst: Marcus Coffin

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