



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

**BILL ANALYSIS**

Telephone: (517) 373-5383
Fax: (517) 373-1986

Senate Bill 841 (as introduced 2-22-18)
Sponsor: Senator Jack Brandenburg
Committee: Finance

Date Completed: 2-27-18

CONTENT

The bill would amend the Uniform Partnership Act to do the following:

- **Revise provisions regarding the liability of a partner of a registered limited liability partnership (LLP) for a debt, obligation, or other liability incurred by the partnership.**
- **Indicate that the limitation on liability would apply regardless of the dissolution of the partnership.**
- **Specify that these provisions would not affect the personal liability of a partner for a liability of the partnership incurred or arising before the bill's effective date.**
- **Specify that the failure of a registered LLP to observe any formalities related to exercising its powers or management would not be grounds for imposing liability on a partner.**

Under Section 46 of the Act, except for a tax obligation of the partnership, a partner of a registered limited liability partnership is not liable directly or indirectly, including by way of indemnification, contribution, assessment, or otherwise, for debts, obligations, and liabilities of or chargeable to the partnership, whether in tort or contract, arising from negligence, wrongful acts, omissions, misconduct, or malpractice committed while the partnership is a registered LLP and in the course of the partnership business by another partner or an employee, agent, or representative of the partnership. The bill would delete this provision.

Under the bill, except as otherwise provided, a debt, obligation, or other liability of a partnership incurred while it was a registered limited liability partnership would be solely the debt, obligation, or other liability of that partnership. 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 partnership. It 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.

Section 46 states that it does not affect the liability of a partner in a registered limited liability partnership for the partner's own negligence, wrongful acts, omissions, misconduct, or malpractice, or that of any person under the partner's direct supervision and control. Under the bill, instead, the proposed provisions would 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 was under the partner's direct supervision and control, that resulted in a debt, obligation, or other liability of the partnership.

Under Section 46, except as otherwise provided, a partner in a registered limited liability partnership is not a proper party to a proceeding by or against the partnership, the object of which is to recover damages or enforce the obligations arising out of the negligence, wrongful acts, omissions, misconduct, or malpractice as described above. The bill would refer to a proceeding by or against the registered LLP, the object of which was to recover damages or enforce a debt, obligation, or other liability for which a partner was not liable, as described above.

The bill also specifies that the failure of a registered limited liability partnership to observe any applicable formalities relating to the exercise of its powers or management of its business would not be a ground for imposing liability on a partner for a debt, obligation, or other liability of the partnership.

The bill would take effect 90 days after it was enacted.

MCL 449.46

Legislative Analyst: Drew Krogulecki

FISCAL IMPACT

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

Fiscal Analyst: Michael Siracuse

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