

NONPROFIT CORPORATION ACT (EXCERPT)
Act 162 of 1982

450.2301 Payment or distribution of assets, income, or profit; conferring benefits on shareholders or members; transfer of money or property to or for benefit of directors or officers; dividends or distributions to shareholders or members; corporation charging fees or prices for services or products; use, conveyance, or distribution of assets held by corporation for noncharitable purposes; prohibition.

Sec. 301. (1) A payment or distribution of any part of the assets, income, or profit of a corporation shall conform to the purposes of the corporation.

(2) A corporation may confer benefits on its shareholders or members that conform to the purposes of the corporation.

(3) A corporation shall not make a direct or indirect transfer of money or other property or incur indebtedness to or for the benefit of its directors or officers without adequate consideration. This subsection does not prevent a corporation from paying compensation to its directors and officers in reasonable amounts for services rendered to the corporation or from entering into transactions with officers and directors under sections 545a and 548.

(4) A corporation shall not pay dividends or make distributions of any part of its assets, income, or profit to its shareholders or members, except as follows:

(a) A corporation may pay compensation in reasonable amounts to shareholders or members for services rendered to the corporation.

(b) If a corporation dissolves, the corporation may make distributions of assets, other than assets held for charitable purposes, to shareholders or members as permitted under this act and the corporation may distribute assets held for charitable purposes to 1 or more member or shareholder domestic corporations, foreign corporations, trusts, or similar entities that are organized and operated exclusively for charitable purposes that are not inconsistent with the charitable purposes for which the corporation holds the assets.

(c) The articles of incorporation or bylaws of a corporation whose lawful purposes include providing a benefit to its member or shareholder corporation may provide that the corporation may pay dividends or distribute its income or profit to its member or shareholder corporation.

(d) A corporation whose lawful purposes include selling services or products to its shareholders or members may make distributions of profit to its shareholders or members if both of the following are met:

(i) The profit is derived solely from the charging of fees or prices to its shareholders or members for its services or products.

(ii) The profit is distributed to the shareholders or members on the basis of, or in proportion to, the fees or prices paid by the shareholders or members to the corporation for its services or products.

(e) A corporation may make distributions to shareholders or members that are domestic or foreign corporations, trusts, or similar nonprofit entities organized and operated exclusively for charitable purposes that are not inconsistent with the purposes of the corporation.

(f) A corporation may make distributions to shareholders or members that are domestic corporations or foreign corporations, trusts, or similar nonprofit entities organized and operated exclusively for purposes that are consistent with the purposes of the corporation.

(g) A corporation may make distributions of stock or memberships in another domestic or foreign corporation to its shareholders or members if its shareholders or members will have no greater rights to receive distributions from the domestic corporation or foreign corporation whose stock or memberships are being distributed than the shareholders or members have with respect to the corporation making the distribution.

(5) A corporation whose lawful activities include the charging of fees or prices for its services or products may receive the income and may make a profit as a result of its receipt. Except as authorized in subsections (2), (3), and (4), the corporation shall apply all of that resulting profit to the maintenance, expansion, or operation of the lawful activities of the corporation.

(6) This act shall not be interpreted in a way that permits assets held by a corporation for charitable purposes to be used, conveyed, or distributed for noncharitable purposes.

History: 1982, Act 162, Eff. Jan. 1, 1983;—Am. 2014, Act 557, Imd. Eff. Jan. 15, 2015.