

Legislative Analysis



PROVIDE FOR SUMMER RESORT ASSOCIATION TO BECOME NONPROFIT

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House Bill 5508 as reported from committee w/o amendment
House Bill 5509 (H-1) as reported from committee
Sponsor: Rep. Larry C. Inman
Committee: Commerce and Trade
Complete to 3-13-18

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

SUMMARY:

House Bill 5508 would amend Public Act 230 of 1897, one of the acts that allows for the incorporation of summer resort associations, to allow an association formed under the act to convert into a domestic nonprofit corporation, as long as the association meets the conversion requirements applicable to business organizations under the Nonprofit Corporation Act.

Proposed MCL 455.19

House Bill 5509 would amend the Nonprofit Corporation Act to add a summer resort association formed under Public Act 230 of 1897 to the list of *corporations* to which the Nonprofit Corporation Act applies. Currently there are eight types of corporations which generally fall under the provisions of the Act, to the extent not inconsistent with the statute under which the corporation was formed.

Corporation is defined in the Nonprofit Corporation Act as a nonprofit corporation that is formed under the act or that is formed under any other Michigan statute and subject to the act under particular sections.

MCL 450.2123

The bills are tie-barred to one another, meaning that neither could take effect unless both were enacted into law. Each bill would take effect 90 days after being enacted.

FISCAL IMPACT:

House Bills 5508 and 5509 would not have a significant fiscal impact on any units of state or local government.

BRIEF DISCUSSION:

According to testimony before the House Committee on Commerce and Trade, the bills are intended to allow associations organized under Public Act 230 of 1897 (sometimes referred to as the “Summer Resort Act” or SRA) to convert to nonprofit corporations. At least one association, the Neahtawanta Resort Association in Grand Traverse County, has

expressed an interest in doing so, but has received guidance from the Department of Licensing and Regulatory Affairs (LARA) that the conversion is not allowable under current law.

According to representatives of that summer resort association, PA 230—enacted over 120 years ago—has many outdated provisions that make compliance with the act difficult. Among other things, the act limits the value of personal property an association can hold, requires board members of the association to be shareholders, and limits the amount the board can expend without a vote of the shareholders. Reportedly, the Nonprofit Corporation Act is more flexible and better fits the modern-day financial and organizational practices of the association. Supporters note that the bills are permissive in nature, allowing each summer resort association the option of converting to a nonprofit if it benefits the association.

POSITIONS:

Representatives of the Neahtawanta Resort Association testified in support of the bills.
(3-6-18)

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