

AUTHORIZE THE CONVERSION OF SUMMER RESORT ASSOCIATIONS INTO NONPROFIT CORPORATIONS

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House Bills 5863 and 5864 as reported from committee
Sponsor: Rep. John R. Roth
Committee: Local Government and Municipal Finance
Complete to 6-29-22

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

SUMMARY:

House Bills 5863 and 5864 would amend 1897 PA 230 and the Nonprofit Corporation Act, respectively, to allow summer resort and park associations to convert into domestic nonprofit corporations.

1897 PA 230 allows for the formation of corporations for the purpose of owning, maintaining, and improving land and other property kept as a summer resort or a park.

The bills would allow a summer resort association formed under 1897 PA 230 to convert into a domestic nonprofit corporation by satisfying requirements of the Nonprofit Corporation Act concerning the conversion of a business organization into a domestic corporation¹ and adopting bylaws in accordance with the Nonprofit Corporation Act.

Each bill would take effect 90 days after being enacted into law, but neither bill would take effect unless both bills were enacted.

HB 5863: Proposed MCL 455.19
HB 5864: MCL 450.2123

BACKGROUND:

The bills are similar to House Bills 4048 and 4049 of the 2019-20 legislative session, which were re-referred to House committee after being reported, and to House Bills 5508 and 5509 of the 2017-18 legislative session, which were passed by the House and reported from the Senate Commerce committee.

BRIEF DISCUSSION:

According to committee testimony, the 1897 act under which many summer resort associations were organized does not adequately address circumstances faced by those associations and their members today.

Although 2022 PA 20 will soon increase the act's monetary limits to account for 125 years of inflation,² other provisions of the 1897 act present structural and procedural challenges that

¹ <http://legislature.mi.gov/doc.aspx?mcl-450-2746>

² <https://www.legislature.mi.gov/documents/2021-2022/billanalysis/House/pdf/2021-HLA-0129-3A61AD43.pdf>

associations would not have to work around if they could reorganize under more flexible terms as modern nonprofits.

Reportedly, provisions of the 1897 act concerning voting shares, filling vacancies on the board of directors, and assigning liability for association debts are especially outdated, hard to comply with, or otherwise problematic for associations and their members. Association shares have in many cases passed through several generations in the decades following the association's organization, which means that more shareholders now live out of state and that ownership interests are now often held by a trust—circumstances that the 1897 act does not appear to have envisioned and does not easily accommodate.

The bills would allow these summer resort associations to reorganize as domestic nonprofit corporations under the Nonprofit Corporation Act, but would not require them to do so.

FISCAL IMPACT:

House Bills 5863 and 5864 would have no fiscal impact on any unit of state or local government.

POSITIONS:

Representatives of the Neahtawanta Resort Association testified in support of the bills. (3-23-22)

The Michigan Lakes and Streams Association indicated support for the bills. (3-23-22)

The Department of Licensing and Regulatory Affairs indicated a neutral position on the bills. (3-23-22)

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■ 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.