

Legislative Analysis



BUSINESS CORPORATION FEES

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

Senate Bill 298 (Substitute H-2)

Sponsor: Sen. Wayne Kuipers

House Committee: Commerce

Senate Committee: Economic Development, Small Business and Regulatory Reform

Complete to 9-20-05

A SUMMARY OF SENATE BILL 298 AS REPORTED BY HOUSE COMMITTEE

The bill would amend the Business Corporation Act to reduce the fees paid by an in-state business for its initial organizational fee and for increasing its authorized shares and the fees paid by an out-of-state corporation when it is authorized to transact business in the state and when it increases the number of authorized shares attributable to Michigan.

The bill is tie-barred to a series of other bills, Senate Bills 664-667, which are expected to be amended to incorporate an additional set of fees for expedited business services.

The new reduced fees would be as follows.

<u>Shares/Increases in Shares</u>	<u>Fees</u>
For 60,000 or fewer	\$50
For 60,001 to 1 million	\$100
For over 1 million to 5 million	\$300
For over 5 million to 10 million	\$500
For over 10 million	\$1,000 per 10,000 shares

Current Fees.

Under the Business Corporation Act, a domestic corporation is required to pay as an initial organization fee and an initial admission fee an amount equal to \$50 for the first 60,000 of authorized shares and \$30 for each additional 20,000 authorized shares (or portion of 20,000 authorized shares), up to a maximum fee of \$5,000 for the first 10 million authorized shares. The fee is \$30 for each 20,000 (or portion of 20,000) authorized shares over 10 million, up to a maximum of \$200,000 for the filing.

When a foreign (out-of-state) corporation applies to do business in the state, it must pay an initial admission franchise fee of \$50, and 60,000 shares are considered initially attributable to Michigan at the time of admission.

When a corporation incorporated in Michigan increases its authorized shares, it must pay an additional organization fee of \$30 for each increase of 20,000 (or portion of 20,000) authorized shares. The maximum additional fee may not exceed \$5,000 if the corporation's total of authorized shares after the increase is 10 million share or fewer. The corporation must pay an additional fee of \$30 for each 20,000 (or portion of 20,000) additional shares to the extent that the total of authorized shares after the increase exceeds 10 million, up to a maximum of \$200,000 for each filing.

A foreign corporation authorized to transact business in Michigan that increases the number of authorized shares attributable to this state must file an amended application and pay an additional admission franchise fee (which is calculated in the same manner as the fee required for additional authorized shares of a domestic corporation).

All of these provisions would be replaced by the new fees described earlier.

MCL 450.2062

HOUSE COMMITTEE ACTION:

As passed by the Senate, Senate Bill 298 applied only to high technology companies. The substitute reported by the House Committee on Commerce reduces the fees for all companies as part of a legislative package that is expected to allow the Department of Labor and Economic Growth to charge higher fees for expedited services for corporations. (The fee structure is said to be modeled on that found in Delaware.)

FISCAL IMPACT:

The Department of Labor and Economic Growth has said the bill will be revenue neutral if anticipated departmental amendments are adopted to Senate Bills 664-667 providing for additional fees for expedited business services.

POSITIONS:

The Department of Labor and Economic Growth has indicated its support for the bill, assuming additional fees for expedited services are also enacted. (9-20-05)

Legislative Analyst: Chris Couch

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