

# Legislative Analysis

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## NONPROFIT CORPORATION AMENDMENTS

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### House Bill 5681 (Proposed Substitute H-2)

**Sponsor: Rep. Steve Tobocman**

**Committee: Commerce**

**Complete to 4-21-08**

### A SUMMARY OF HOUSE BILL 5681 (PROPOSED SUBSTITUTE H-2)

The bill would amend the Nonprofit Corporation Act in the following ways.

- The board of directors of a nonprofit corporation would need at least three directors. Currently, the act requires "one or more" directors.
- A corporation that is a "charitable purpose corporation" could not provide loans to or guarantee an obligation of an officer or director of the corporation or a subsidiary, unless the officer or director is also a client of the corporation and the loan or guaranty is necessary to carry out the corporation's charitable purposes.
- A charitable purpose corporation that is dissolved would have to provide notice of the dissolution to the attorney general within 60 days after the date of dissolution and could not dispose of any of its charitable assets without written approval of the attorney general.
- The bill would provide a definition of the term "charitable purpose corporation." The term would refer to a nonprofit corporation that meets any of the following: (1) is exempt or qualifies for an exemption under Section 501(c)(3) of the federal Internal Revenue Code; (2) is a corporation whose purposes, structure, or activities are exclusively those described in Section 501(c)(3); or (3) is a corporation organized or held out to be organized exclusively for one or more charitable purposes.

The bill would also make a number of technical drafting changes.

### FISCAL IMPACT:

The bill would have no apparent fiscal impact on the state or on local units of government.

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