



Senate Fiscal Agency
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Senate Bills 666 and 667 (Substitute S-1 as reported)
Sponsor: Senator Sean McCann
Committee: Finance, Insurance, and Consumer Protection

CONTENT

The bills would provide for the incorporation of a benefit corporation, which would be a corporation focused on general public benefit, such as having a positive effect or reducing a negative effect for at least one community or category of persons. A benefit corporation would have to measure its intended benefit by a standard that met specific requirements when filing an annual report submitted to the Department of Licensing and Regulatory Affairs (LARA). The bills would prescribe the process for the corporation, a director, or certain shareholders or owners to commence a claim asserting that a director or officer violated a duty or standard of the bills or failed to pursue any benefit the corporation set forth in its articles of incorporation.

The bills are tie-barred, and each bill would take effect one year after its enactment.

BRIEF RATIONALE

According to testimony, many corporations in the State want to have a socially beneficial purpose in addition to increasing profits for shareholders; however, a shareholder could sue a board of directors for prioritizing a social benefit over the maximization of shareholder profits. Some have argued that corporations in Michigan should have a tool to balance priorities without worrying about their vulnerability to litigation, and so establishing benefit corporations has been suggested.

MCL 450.1911 et al. (S.B. 666)
450.1105 et al. (S.B. 667)

FISCAL IMPACT

The bills would have no fiscal impact on State or local government.

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