

## Are Changes Coming in Business Entity Options in Michigan?

(January 23, 2008) The Senate Economic Development & Regulatory Reform Committee heard testimony from a variety of individuals and interest groups today regarding proposed amendments to the Business Corporation Act and Professional Service Corporations Act. House Bills 5356-8 passed the House in December and are intended to respond to a recent Michigan Court of Appeals decision in *Miller v Allstate*. The bills also make technical changes relating to conversions (e.g. changing from corporate to limited liability company status). Much of the testimony focused on House Bills 5356 and 5357, which add chiropractors, optometrists, and physical therapists to the list of “learned professions” and would therefore require that these professions incorporate under the Professional Service Corporations Act.

The list of organizations supporting the bills included the Michigan Funeral Director’s Association, the Michigan Association of Certified Public Accountants, the Michigan Hospital Association (w/ amendments), AIA Michigan, Michigan Physical Therapy Association, the Insurance Institute of Michigan, Allstate, and State Farm.

There was an equally long list of individuals and organizations opposed to the bill. These included several physical therapy clinics, Michigan Association of Athletic Trainers, Michigan Brain Injury Providers Council, and the Michigan Speech, Hearing and Language Association. Ann Baker from the Corporations Division in the Bureau of Commercial Services testified on behalf of DLEG. She provided a general overview of corporations filing activities and explained the “learned professions” doctrine. In response to a question from Senator Jacobs she noted that we do not support expansion of the “learned professions” doctrine as proposed in House Bill 5356.

A few organizations had positions that must be qualified. The Michigan State Chamber opposed the bill that passed the House and suggested an amendment to grandfather Medicare certified agencies. This amendment is supported by the insurance industry. The Michigan Academy of Physician Assistants was neutral on the bill. They would like to be added to the list of “learned professions”, they said.

The hearing began and ended with testimony from members of the State Bar subcommittee that developed the proposals that went into the original House bills. At the outset, one member (representing himself and not the State Bar) described the original proposed changes and expressed concern regarding the expansion of the “learned professions” doctrine. A second member (also speaking for himself) wrapped up the testimony by saying that the “learned professions” doctrine should not be expanded. If it is desirable public policy for physical therapists to organize as professional corporations, he continued, this ought to be addressed in the regulatory acts rather than the corporation laws.