

Policy Statement on Purposes of Nonprofit Corporations

Commentary written at the time of the Nonprofit Corporation Act, P.A. 162 of 1982, was adopted states that section 202(b) of the act is new and “recognizes the purposive rather than profit-making nature of nonprofit corporation; statement of purposes necessary to application of other sections of the Act- eg. -261 (corporate powers), -301 (distributions), -303 and 304 (membership or shareholding rules), -823, 825, and 855 (dissolution) -361 and 363 (redemption).” Section 202(b) provides that the articles shall state the “purposes for which the corporation is organized. It shall not be sufficient to state substantially that the corporation may engage in any activity within the purposes for which a corporation may be organized under this act”.

Prior to passage of the Nonprofit Corporation Act nonprofit corporations were formed under the General Corporation Act, P.A. 327 of 1931. Section 117 of the General Corporation Act provided a nonprofit corporation could be incorporated “for the purpose of carrying out any lawful purpose or object not involving pecuniary gain or profit for its members or associates”. In interpreting section 117 the AG opined in AGO 5559, September 11, 1979, that the following language would comply with section 117.

The object and purpose of this corporation shall be to engage in any activity within the purposes for which Michigan non-profit corporations may be organized under Act 327 of the Public Acts of 1931 which is consistent with exemption from federal income tax under paragraph 501(c)(3) of the Internal Revenue Code.

The opinion concludes that “The functions set forth in 26 USC s 501(c)(3) are consistent with P.A. 327 of 1931, section 117, supra.”

Section 117 of the General Corporation Act was repealed by P.A. 162 of 1982. Section 202(b) of P.A. 162 of 1982 prohibits the use of an all purpose clause and specifically requires the articles to state the “purposes for which the corporation is organized”. The current law prohibits the use of a general purpose clause and the statutory change overruled AGO 5559.

Articles of Incorporation for nonprofit corporations must comply with section 202(b) of the Nonprofit Corporation Act and state the purpose for which the corporation is formed. It is insufficient to state that the purpose of the corporation is to “engage in any activity consistent with 501(c)(3) of the Internal Revenue Code” and such a statement does not substantially conform to the requirements of the act.

The above policy shall be adopted immediately and remain in effect unless rescinded or modified by the Bureau Director.

Approved by Julie Croll, Director
Corporation, Securities and Land Development Bureau
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