

Topic: Non-Profit Entity Conversion

Question by: Julia Dale

Jurisdiction: Michigan

Date: February 6, 2012

Jurisdiction	Question(s)		
	Does your jurisdiction allow nonprofit corporation to convert into other business organizations?	Does your jurisdiction allow other business organizations to convert into nonprofit corporations?	If your jurisdiction permits such conversions, is your Attorney General involved in the process?
<b>Manitoba</b>			
<b>Corporations Canada</b>			
<b>Alabama</b>			
<b>Alaska</b>			
<b>Arizona</b>			
<b>Arkansas</b>			
<b>California</b>	See below under additional comments		
<b>Colorado</b>	Yes	Yes	No, see below
<b>Connecticut</b>			
<b>Delaware</b>			
<b>District of Columbia</b>	No, In DC business entities can convert from one type to another but nonprofit conversion is the exception.	No	No

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<b>Florida</b>	In Florida, the conversion laws were passed in 2005. There was no conversion provision added to the non-profit statute.	The conversion language added to the “profit” statute specifically did not allow for a “non-profit” to convert into a “profit” corporation or for a “profit” corporation (or any other entity type) to convert to a “non-profit” corporation.	With that said, there is also a provision that has been in statute since 1990 that allows for a “profit” corporation to convert to a “non-profit” corporation by petitioning a circuit judge for approval and then filing the appropriate paperwork with our Division. This occurs very seldom (one last year). As far as I can remember, it has been used by entities that formed a “profit” corporation in error when they really “acted” as a “non-profit” but needed to convert to correct the error. I hope this isn’t too confusing and answers your questions.
<b>Georgia</b>			
<b>Hawaii</b>	Yes	Yes	No, not for conversions. There are merger requirements for public benefit corporations that involve the Attorney General. (See below)
<b>Idaho</b>			
<b>Illinois</b>			
<b>Indiana</b>			
<b>Iowa</b>			
<b>Kansas</b>			
<b>Kentucky</b>			

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<b>Louisiana</b>			
<b>Maine</b>			
<b>Maryland</b>			
<b>Massachusetts</b>	No	A profit corporation can convert to a non-profit corporation	No
<b>Michigan</b>			
<b>Minnesota</b>			
<b>Mississippi</b>			
<b>Missouri</b>	NPs can accept into a benevolent	Benevolents and general business corps may accept into a NP	No
<b>Montana</b>	At this time Montana Code Annotated does not give us the authority to allow a “nonprofit” corporation to convert to another business entity type. Montana code does give us the authority to allow a “nonprofit” corporation to merge with another entity		The Attorney General’s office would only be notified if the “nonprofit” corporation is a “public benefit or religious corporation” and the nonprofit would not be the survivor of the merger.
<b>Nebraska</b>			
<b>Nevada</b>	No not at this time	Yes	No
<b>New Hampshire</b>			
<b>New Jersey</b>			
<b>New Mexico</b>			
<b>New York</b>			
<b>North Carolina</b>			

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<b>North Dakota</b>	North Dakota statutes do not allow nonprofit corporations to convert into other business organizations.		
<b>Ohio</b>	Yes, nonprofit corporations may convert into the following: <ol style="list-style-type: none"> <li>1. Foreign Nonprofit Corporations (licensed in Ohio or not)</li> <li>2. Foreign LLCs (licensed in Ohio or not)</li> <li>3. Domestic LLCs</li> <li>4. Foreign LPs (licensed in Ohio or not)</li> <li>5. Domestic LPs</li> <li>6. General Partnerships (licensed in Ohio or not)</li> <li>7. Common Law Trusts</li> </ol>	No, nothing can convert into a nonprofit corporation	There are potential requirements for a converting nonprofit corporation that is a charity to report something to the AG's office, but it is independent of the filing requirements of the Secretary of State's office
<b>Oklahoma</b>			
<b>Oregon</b>	Even though certain mergers are allowed, there are no conversion provisions in Oregon for nonprofits. As I recall, the Dept. of Justice here had concerns and the Business Law section of the Bar was more concerned to allow profits to convert than to get into the intricacies of nonprofits when no one was pushing for that option here.		

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<b>Pennsylvania</b>			
<b>Rhode Island</b>			
<b>South Carolina</b>			
<b>South Dakota</b>			
<b>Tennessee</b>			
<b>Texas</b>	No, See <a href="#">§ 10.108</a> Texas Business Organizations Code.	Yes	No
<b>Utah</b>			
<b>Vermont</b>			
<b>Virginia</b>	Yes, to a stock corporation. However, legislation is pending to allow a nonprofit (nonstock) corporation to convert to a LLC. It is my understanding that the legislation will accommodate the situation where the sole member of the LLC will be a 501(c)(3) charitable organization.	A stock corporation can convert to a nonstock corporation (via a merger).	No
<b>Washington</b>	Currently, Washington law does not allow conversion of nonprofit corporations to other business entities.	It does allow those other business entities to convert to nonprofits.	AG's office is not involved in the conversion specifically, other than what is provided under the nonprofit laws that are adopted. <a href="http://apps.leg.wa.gov/rcw/default.aspx?cite=24.03&amp;full=true">http://apps.leg.wa.gov/rcw/default.aspx?cite=24.03&amp;full=true</a> is a link to our current nonprofit laws (due to change next year).

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<b>West Virginia</b>			
<b>Wisconsin</b>	Yes, a nonprofit corporation can convert to a business corporation, limited liability company or limited partnership.	Yes, a business corporation, limited liability company or limited partnership can convert to a nonprofit corporation.	No
<b>Wyoming</b>			

**Additional comments:**

**Colorado:**

[Here's the general statutory authority.](#)

7-90-201. Conversion of an entity

(1) Pursuant to a plan of conversion approved in accordance with [section 7-90-201.4](#):

(a) A domestic entity of one form may be converted into any other form of domestic entity.

(b) A domestic entity may be converted into any form of foreign entity recognized in the jurisdiction under the law of which the entity will be considered to have been formed after the conversion.

(2) A foreign entity may be converted into a domestic entity if the conversion is not prohibited by the constituent documents or organic statutes and if the foreign entity complies with all of the requirements, if any, of its constituent documents and organic statutes in effecting the conversion.

**HAWAII:**

Hawaii currently does permit conversions both ways from and to nonprofits. However, the head of charitable orgs at the attorney generals is submitting a bill this session to prohibit conversions from nonprofits to profits. I think the concern is that nonprofits bring in money based on their nonprofit status (part of which means there are no shareholders and assets cannot leak out to shareholders) but then if the nonprofit converts to

profits, those assets can be directly distributed to shareholders. So someone gives thinking the money will be used internally, then the nonprofit converts, and those donations are paid out to shareholders and not used internally.

Anyway, the AGs wants to put the kibosh on this. Our division isn't really taking a position on this at this time.

Tung Chan  
Commissioner of Securities  
Business Registration Division, Chief  
Department of Commerce and Consumer Affairs  
335 Merchant St.  
Honolulu, HI 96813  
Phone: (808) 586-2744

**CALIFORNIA:**

California law does not permit a nonprofit mutual benefit corporation, nonprofit public benefit corporation, nonprofit religious corporation or consumer cooperative to convert into a limited liability company, limited partnership, limited liability partnership, general partnership or unincorporated association.

California law does not permit a limited liability company, limited partnership, limited liability partnership or general partnership to convert into a nonprofit mutual benefit corporation, nonprofit public benefit corporation, nonprofit religious corporation or a consumer cooperative. However, an unincorporated association may change its status to that of a nonprofit mutual benefit corporation, nonprofit public benefit corporation or a nonprofit religious corporation. The Secretary of State provides a copy of the articles of incorporation to the California Attorney General when an unincorporated association changes its status to a nonprofit public benefit corporation.

While a little off point from your exact question, it may assist you to know that California law does authorize a general stock corporation to amend its articles of incorporation to change its status to a nonprofit mutual benefit corporation, nonprofit public benefit corporation, nonprofit religious corporation or a consumer cooperative. California also permits a nonprofit mutual benefit corporation, nonprofit public benefit corporation, nonprofit religious corporation and a consumer cooperative to change its status between those types of nonprofit corporations or to change its status to a general stock corporation. The Secretary of State provides a copy of the articles of incorporation to the California Attorney General when a general stock corporation, nonprofit mutual benefit corporation, nonprofit religious corporation or a consumer cooperative changes its status to a nonprofit public benefit corporation. When a nonprofit public benefit corporation changes its status to a general stock corporation, nonprofit mutual benefit corporation or a consumer cooperative corporation the California Attorney General must approve the change in advance. If the corporation has no assets the Attorney General does not have to approve the change in advance, but must be notified of the change at least 20

days before the amendment is filed with the Secretary of State.

Betsy Bogart  
Chief, Business Programs Division  
California Secretary of State  
(916) 651-6973

**Full text of email:**

In Michigan we are considering amendments to the Michigan Nonprofit Corporation Act; including the ability to for a nonprofit to convert.

1. Does your jurisdiction allow nonprofit corporation to convert into other business organizations?
2. Does your jurisdiction allow other business organizations to convert into nonprofit corporations?
3. If your jurisdiction permits such conversions, is your Attorney General involved in the process?

Thank you for taking the time to answer my questions.

Julia Dale  
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