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FISCAL IMPACT REPORT

SPONSOR: Heaton DATE TYPED: 03/01/01 HB 787
 SHORT TITLE: Conversion of Limited Partnership SB _____
 ANALYST: Dotson

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY01	FY02	FY01	FY02		
	None				None

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

Office of the Attorney General

SUMMARY

Synopsis of Bill

HB 787 permits the conversion of a limited partnership to a limited liability limited partnership upon complying with the terms of the Limited Partnership Act. The bill repeals a provision requiring certain insurance for limited liability limited partnerships.

Significant Issues

Limited Liability Limited Partnership is becoming popular as a means of structuring business organizations. Reducing liability associated with doing business decreases one of the obstacles associated with business taking on speculative projects.

According to the Office of the Attorney General, the bill presents policy questions rather than legal questions, particularly with regard to the repeal of an insurance requirement.

OTHER SUBSTANTIVE ISSUES

Attached is Section 54-1-47 NMSA 1978.

PD/njw:ar
Attachment

ATTACHMENT

54-1-47. Insurance or financial responsibility of registered limited liability partnerships.

A. A registered limited liability partnership shall carry at least five hundred thousand dollars (\$500,000) per occurrence and one million dollars (\$1,000,000) in the aggregate per year of liability insurance, beyond the amount of any applicable deductible, covering the partnership for errors, omissions, negligence, wrongful acts, misconduct and malpractice for which the liability of partners is limited by Section 54-1A-306 NMSA 1978. Such an insurance policy may contain reasonable provisions with respect to policy periods, deductibles, territory, claims, conditions, exclusions and other usual matters.

B. If a registered limited liability partnership is in substantial compliance with the requirements of Subsection A of this section, the requirements of this section shall not be admissible or in any way be made known to a jury in determining an issue of liability for or extent of the debt or obligation or damages in question.

C. A registered limited liability partnership is considered to be in substantial compliance with Subsection A of this section if the partnership provides an amount of funds equal to the amount of insurance required by that subsection specifically designated and segregated for the satisfaction of judgments against the partnership or its partners based on errors, omissions, negligence, wrongful acts, misconduct and malpractice for which liability is limited by Section 54-1A-306 NMSA 1978 as follows:

- (1) a deposit in trust or bank escrow or cash, bank certificates of deposit or United States treasury obligations; or
- (2) a bank letter of credit or insurance company surety bond.