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Senate Bill 408 (Substitute S-2 as reported)  
Sponsor: Senator Jeff Irwin  
Committee: Finance, Insurance, and Consumer Protection

## **CONTENT**

Primarily, the bill would modify the types and value of wages, money, and property exempt from garnishment and execution, which are forms of debt collection. For garnishment, the bill would establish a process by which priority would be determined in cases of multiple garnishments and expand provisions prohibiting a garnishee from disciplining a debtor for garnishment. For execution, the bill would require a creditor to provide notice to a debtor upon obtaining a writ of execution and throughout the execution process. These notices would have to inform the debtor of rights, including the ability to request a hearing to dispute an execution or to classify some property as exempt from execution.

MCL 600.2807 et al.

## **BRIEF RATIONALE**

Garnishment is a court process through which a creditor may compel a garnishee, a third-party such as a debtor's employer, to distribute money to the creditor instead of the debtor. Similarly, execution is a court-order process by which a creditor may request to seize and sell a debtor's non-exempt property. According to testimony, the language protecting residents from debt collection needs updating for the modern era. Some argue that protections should include a resident's first home, first automobile, the earned income tax credit, and a small amount of money in bank accounts. It has been suggested that these protections would allow an indebted individual to earn a living and live in dignity even if facing garnishment.

Legislative Analyst: Nathan Leaman

## **FISCAL IMPACT**

The bill would likely increase varied administrative expenses for the State Court Administrative Office and local courts to a small degree. New exemptions, new exemption amounts, and new notice requirements for court proceedings regarding debt would possibly require local courts to revise current garnishment or bankruptcy proceedings. Additionally, the Office would have to produce and make available additional notice forms for use statewide. The bill would not directly affect State or local government. Tax garnishments are applied to refunds, after State and local taxes have been satisfied. Indirectly, the bill would likely decrease the number of garnishment filings by creditors and debt buyers due to the increased number of exemptions created and existing exemption amounts increased under the bill. Pre-pandemic, there were over 200,000 annual debt cases in Michigan with nearly 80% of those cases resulting in a garnishment for a median amount of \$1,600. Annual debt cases and garnishments were cut nearly in half during the pandemic. According to the Michigan Justice for All Commission (Commission), nearly 75% of all debt collection lawsuits are filed by ten high-volume plaintiffs.<sup>1</sup>

<sup>1</sup> Commission, [Advancing Justice for All in Debt Collection Lawsuits](#), p. 11, November, 2022.

The bill would address some of the recommendations in the Commission's report, such as additional notice requirements. The bill also would vastly increase existing exemptions from garnishment and bankruptcy, making certain assets more difficult to seize through garnishment. These increased thresholds are not expected to have a direct impact on the State or local courts, but could have an indirect impact, based on a reduced number of debt-related filings and associated adjustments to operating expenses or court fees. Outside of the potential for a slightly reduced amount fee revenue for Treasury to handle garnishment requests, the bill is not expected to affect State or local tax revenue, which has precedence over consumer debt garnishments.

Date Completed: 10-29-24

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