



Senate Fiscal Agency
P.O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS



Telephone: (517) 373-5383
Fax: (517) 373-1986

Senate Bill 409 (Substitute S-2 as reported)
Sponsor: Senator Mary Cavanagh
Committee: Finance, Insurance, and Consumer Protection

CONTENT

The bill would amend Chapter 54A (Bankruptcy) of the Revised Judicature Act to modify the value of types of property and expand the types of property exempt from inclusion in a debtor's estate. It also would require the State Treasurer to adjust the amounts of exemption for each type of exemption after the first adjustment date by an amount determined by the State Treasurer to reflect the cumulative change in the Consumer Price Index for the adjustment period and rounded to the nearest \$25.

MCL 600.5451

BRIEF RATIONALE

Generally, an individual who can no longer pay the individual's debts may file for either Chapter 13 or Chapter 7 bankruptcy, if eligible.¹ The U.S. Bankruptcy Code allows an individual debtor to exempt certain property from the debtor's estate, including certain retirement funds, professionally prescribed health aids, social security benefits, or local public assistance benefits, among others.² The Code also allows states to establish their own bankruptcy property exemptions. In Michigan, a debtor may elect to abide by Federal or State exemptions. Testimony indicated that there is a need to update the State's bankruptcy law to align with modern living costs. Some have argued that current law leaves residents facing bankruptcy without a home, transportation, or means to sustain their lives and achieve economic success. It has been recommended that homestead and vehicle exemption amounts be increased to allow these individuals to participate in society after the considerable challenges of bankruptcy.

Legislative Analyst: Nathan Leaman

FISCAL IMPACT

The bill would have no fiscal impact on State or local courts.

Date Completed: 10-29-24

Fiscal Analyst: Michael Siracuse

¹ Referring to Chapter 7 and Chapter 13 of the U.S. Bankruptcy Code. For more information on individual eligibility for Chapter 7 bankruptcy, see www.uscourts.gov.

² For more information on Federally exempt property, see uscode.house.gov.