Legislative Analysis

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ALLOW LANDLORDS TO RETURN SECURITY DEPOSITS THROUGH ELECTRONIC PAYMENT METHODS

Senate Bill 22 as passed by the Senate
Sponsor: Sen. Sarah Anthony
House Committee: Regulatory Reform
Senate Committee: Housing and Human Services
Complete to 7-6-26

(Enacted as Public Act 102 of 2026)

SUMMARY:

Senate Bill 539 would amend the landlord-tenant act to allow landlords to return the amount owed from a security deposit electronically to a tenant instead of by check or money order.

Rental leases often require tenants to pay a security deposit at the start of the lease to cover any potential damage to the rental unit, apart from normal wear and tear, that occurs during their tenancy.[1] The act allows a landlord to deduct the amount of damages to a rental unit, including the estimated cost of repairs, from a tenant's security deposit as long as the landlord mails the tenant, within 30 days after the termination of occupancy, an itemized list of the damages and a check or money order for the remaining balance.[2]

The bill would allow a landlord to transmit the owed amount to the tenant through direct deposit, electronic transfer, or the use of an internet or mobile payment account or app instead of by check or money order. The landlord would still have to mail the tenant a notice and itemized list of deducted damages within 30 days after the end of occupancy. A landlord that returns a security deposit electronically would have to deposit the returned amount into the tenant's account in a financial institution or an internet or mobile payment account or app within 10 days after they put the notice of damages in the mail.

MCL 554.609

BACKGROUND AND DISCUSSION:

The bill is identical to Senate Bill 539 of the 2023-24 legislative session as that bill was passed by the Senate.[3]

In House committee testimony on Senate Bill 539, supporters argued that the bill would provide more options for both landlords and tenants and would expedite the security deposit return process. While tenants who prefer a mailed check would still have that option, allowing the use of secure options such as direct deposit, mobile apps, and electronic transfer would modernize and streamline the process for everyone involved.

[1] A landlord also can use a security deposit to pay any rent or utility bills owed by the tenant at the end of the lease.
[2] However, this notice requirement does not apply if the tenant does not give the landlord a forwarding address within four days after their occupancy ends.
[3] https://www.legislature.mi.gov/Bills/Bill?ObjectName=2023-SB-0539

FISCAL IMPACT:

The bill would have no fiscal impact on the state or local units of government.

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