Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 22 (as passed by the Senate) *(enrolled version)*
Sponsor: Senator Sarah Anthony
Committee: Housing and Human Services

Date Completed: 7-28-26

RATIONALE

Landlords commonly require renters to provide money in the form of a security deposit at the beginning of a lease to cover possible damages to property at the end of a lease. Currently, landlords must return the difference between claimed damages and the amount of a security deposit by check or money order. According to testimony before the Senate Committee on Housing and Human Services, digital transactions are an increasingly popular and safe way to transfer funds, and often a recipient will have access to digitally transferred funds sooner than funds received by check or money order. It has been suggested to allow a landlord to transfer the difference through direct deposit or electronic transfer or to a tenant through an internet or mobile payment application.

CONTENT

The bill would amend the landlord-tenant Act to specify that a landlord would not have to send a check to a tenant with the difference between a tenant's security deposit and the damages claimed against the security deposit as currently required by the Act if the landlord instead sent the difference to the tenant's bank account through direct deposit or electronic transfer or to the tenant through an internet or mobile payment application. The landlord would have to send the amount within 10 days of mailing the required notice of damages claimed against a tenant's security deposit.

Generally, in the case of damage to a rental property or other obligations against a security deposit a landlord must mail an itemized list of damages to the tenant within 30 days of termination of occupancy. The itemized list must include an estimated cost of repair of each damaged property item and the amounts and bases that the landlord intends to assess the tenant through the tenant's security deposit. The list must be accompanied by a check or money order for the difference between the deposit and claimed damages.

Under the bill, the landlord would have to mail a notice that contained an itemized list of the damages assessed against the security deposit, including an estimated cost of repair of each property damaged item and the amounts and bases on which the landlord intended to assess the tenant. Beginning on the bill's effective date, a notice of damages would not have to be accompanied by a check or money if the landlord sent the difference between the damages claimed and the amount of the security deposit held by the landlord to the tenant's bank account through direct deposit or electronic transfer, or to an internet or mobile payment account or application. A landlord that complied with this provision would have to deposit the amount to the tenant as described above within 10 days of mailing the notice of damages.

MCL 554.609

PREVIOUS LEGISLATION

(This section does not provide a comprehensive account of previous legislative efforts on this subject matter.)

The bill is a reintroduction of Senate Bill 539 of the 2023-2024 Legislative Session. Senate Bill 539 passed the Senate and was reported from the House Committee on Economic Development and Small Business but received no further action.

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

Allowing landlords to return security deposits through electronic means would modernize the return process and allow tenants to receive their security deposits in a timely manner. According to testimony before the Senate Committee on Housing and Human Services, digital transactions are now more common than payment by check or money order. Additionally digital transactions are often instant, while first class mail is generally delivered between one and five days.[1]

Opposing Argument

The bill should include a provision to protect a tenant from incurring a fee from a digital app. According to testimony before the Senate Committee on Housing and Human Services, many apps charge a fee to transfer money to and from a bank account. A tenant should be returned the exact amount due to that tenant and should not be responsible for absorbing a fee to access the security deposit if electronic transfers were allowed.

Response: The bill would not mandate that a landlord return the security deposit through electronic means, and a tenant could elect to receive the returned security deposit via check. Additionally, testimony indicates that some electronic services such as Venmo only charge a transfer fee for immediate transfers. Users could select a delayed transfer method without incurring a fee.

Legislative Analyst: Jessica Gebbie

FISCAL IMPACT

The bill would not have a direct fiscal impact on the State, local governments, or local court systems. The bill could reduce evictions for local systems, which would have indirect benefits related to homelessness, productivity, and tax revenue. See: Collison, Robert, *Eviction and Poverty in American Cities*, National Bureau of Economic Research, 2022.

Fiscal Analyst: Michael Siracuse

[1] "How long does it take my mail and packages to get here", United States Postal Services, Retrieved 7-13-26.

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.