



2015 Payroll Fact Sheet

Michigan Garnishment Reform Legislation Approved by State Legislature

On April 6, **two bills that would reform Michigan's garnishment process** – H.B. 4119 and H.B. 4120 – were sent to Governor Rick Snyder for his signature. It is likely Governor Snyder will sign both bills on April 14. If enacted, H.B. 4119 will take effect for garnishments issued after September 30, 2015. H.B. 4120 will take effect 90 days from enactment, so if the Governor signs the bill on April 14, as expected, the law will take effect on July 13, 2015. The bills are similar to two bills that were considered by the state legislature last year. **The American Payroll Association Government Relations Task Force (GRTF) Garnishments Subcommittee has submitted a statement in support of the legislation.**

House Bill 4119.

This bill would allow a garnishment order to remain in effect until paid in full or released. This would allow employers a one-time set-up in their payroll systems, rather than the current situation in which an order expires after 182 days and is often reissued immediately after. **The bill would promote the timely processing of garnishments by providing that a garnishment is not enforceable if it is not served on the garnishee in accordance with Michigan Court Rules.** This would render garnishments that are sent to local or branch offices unenforceable. **The legislation would limit the liability of an employer that incorrectly handles a garnishment.** Currently, employers may be liable for the entire debt, even in the case of an administrative error. H.B. 4119 corrects this situation by continuing to allow for default judgments, but offering an employer several opportunities to fix the problem before the default judgment may be entered. The bill would also establish a process allowing employers to more easily correct administrative errors. Creditors would be obligated to inform the employer that it has failed to comply with the writ of garnishment. The employer would then have 28 days to correct the problem. The bill specifies that garnishments would have priority according to the order in which they are received, except that a child support order and a tax levy would have priority (the bill does not apply to child support orders, tax levies, or levies resulting from the overpayment of state unemployment insurance benefits).

House Bill 4120.

This bill provides that if an employer is ordered to pay part of the employee's debt, the employer may recover that amount by withholding funds from future wage payments. The employer may do this without obtaining the written consent of the employee provided certain conditions are met. These conditions include providing the employee with written notice of the deduction and that the deduction may not reduce the employee's wages below the minimum wage nor exceed 15% of gross wages.