



**House
Legislative
Analysis
Section**

House Office Building, 9 South
Lansing, Michigan 48909
Phone: 517/373-6466

MONEY LAUNDERING: TERRORISM

House Bill 5509 with committee amendment First Analysis (1-24-02)

**Sponsor: Rep. Nancy Quarles
Committee: Criminal Justice**

THE APPARENT PROBLEM:

Terrorism, like the illegal drug trade, requires significant amounts of money to operate successfully. And, like their counterparts in the drug trade, terrorists use seemingly legal businesses, charities, and investments to "launder" or hide money acquired through illegal activities and which is generally intended to finance more illegal activities. Money laundering is the disguising or concealing of illicit income in order to make it appear legitimate. Public Act 284 of 1994 amended the Michigan Penal Code to criminalize as "money laundering" certain acts involving the proceeds or substituted proceeds of specified criminal offenses. "Specified criminal offenses" currently include certain drug offenses, Medicaid fraud, bribery, embezzlement, extortion, securities fraud, murder, forgery, etc. It is believed that adding terrorism-related activities as a specified criminal offense would enable law enforcement agencies to better intercept the acquisition of resources by terrorist organizations and so stop terrorist acts before they happen.

THE CONTENT OF THE BILL:

House Bill 5509 would amend the Michigan Penal Code to add a violation of Chapter LXXXIII-A of the code, which concerns terrorism, to the list of offenses that constitute a "specified criminal offense". Therefore, under the code, it would be a criminal offense to knowingly receive or acquire a monetary instrument or other property that constituted the proceeds or substituted proceeds of an action or activity in violation of the anti-terrorism provisions contained within Chapter LXXXIII-A of the penal code (which would be added by Senate Bill 930), or to knowingly conduct a financial transaction meeting certain conditions that involved money or property derived from a terrorist act.

The bill could not take effect unless Senate Bill 930 were enacted.

MCL 750.411j

BACKGROUND INFORMATION:

Following the events of September 11, 2001, the leadership of both caucuses of the state House of Representatives and the Senate, the governor, the attorney general, the Emergency Management Division of the Department of State Police, and various other state departments began meeting to address the issue of terrorism, evaluate the state's disaster preparedness policies, and identify areas that needed reform. In addition, the attorney general began a review of the state's criminal statutes and their ability to deal with the threat of terrorist activities within the state. The multi-bill package on terrorism is a bi-partisan, bi-cameral initiative to address the concerns identified in those meetings.

FISCAL IMPLICATIONS:

According to the House Fiscal Agency, the bill would result in an indeterminate increase in costs to state and local government. Further, the bill would result in an indeterminate increase in revenue for local governmental units. Depending on how the bill affected the numbers and types of felony convictions obtained, the bill could increase state or local correctional costs. Any penal fines collected under the bill are constitutionally dedicated to local libraries. (1-23-02)

ARGUMENTS:

For:

It is believed that terrorist organizations, like many illegal enterprises, often must bribe or hire individuals to accomplish their goals. The recipients of these bribes or payments, like individuals involved in the drug trade, must in turn hide these payments from state and federal authorities or make these sums of money appear to have been legitimately acquired. Current state and federal law already trigger penalties for money laundering for many crimes, including drug offenses, robberies, counterfeiting, and so on. Some of these offenses are committed by members of terrorist organizations in order to accumulate revenue

House Bill 5509 (1-24-02)

to fund terrorist activities, and those funds would already be subject to penalties under the money laundering provisions since they were obtained in the commission of crimes designated as “specified criminal offenses”. However, by adding terrorism to the list of specified criminal offenses, the bill would allow law enforcement agencies to track organized patterns involving sums of money that were supplied to individuals or groups by terrorist organizations for the commission of terrorist acts and that were subsequently also laundered to appear legitimate. Therefore, this could be an additional tool for law enforcement to use to expose and crack terrorist organizations, as well as perhaps aid in thwarting planned attacks.

POSITIONS:

The office of the attorney general supports the bills.
(1-23-02)

The office of the governor supports the concept of the bills. (1-22-02)

The Prosecuting Attorneys Association of Michigan supports the concept of the bills. (1-22-02)

Analyst: S. Stutzky

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.