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BILL ANALYSIS

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Senate Bill 523 (Substitute S-1 as reported)
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Sponsor: Senator Mike Nofs
Committee: Families, Seniors and Human Services

CONTENT

The bills would amend different acts to allow the Department of Human Services (DHS) to place a lien against an individual retirement account (IRA) of an individual who had a child support arrearage, and require financial institutions to share information to facilitate collecting past due child support.

All of the bills are tie-barred to each other.

Senate Bill 523 (S-1) would amend the Support and Parenting Time Enforcement Act to include an individual retirement account among the financial assets subject to a lien and levy by the Department of Human Services with regard to a child support arrearage.

Under the Act, the amount of past due support that accrues under a judgment or under the law of another state constitutes a lien in favor of the support recipient against the real and personal property of a payer. Under Section 25c, if a child support arrearage amount exceeds twice the monthly amount of periodic support payments payable under a support order, the Title IV-D agency (i.e., the DHS) may levy against certain items subject to a lien to which the payer is entitled, including financial assets held by a financial institution.

"Financial asset" means a deposit, account, money market fund, stock, bond, or similar instrument. The Act specifies the financial instruments included in the definition of "account", and provides that the term does not include a qualified individual retirement account. Under the bill, "account" would include an individual retirement account.

Senate Bill 524 (S-1) would amend the Revised Judicature Act to include an IRA and an individual retirement annuity subject to levy by the DHS among a debtor's property that is not exempt from levy and sale to enforce a judgment.

The Act lists property of a judgment debtor and his or her dependents that is exempt from levy and sale under an execution (to enforce a judgment). The exemption includes an IRA or individual retirement annuity, as well as the payments or distributions from the account or annuity, as provided in the Federal Bankruptcy Code. This exemption, however, does not apply if the account or annuity is subject to a court order concerning child support or if other conditions exist. Under the bill, the exemption also would not apply if the account or annuity were subject to a levy under Section 25c of the Support and Parenting Time Enforcement Act, as permitted by Federal law.

Senate Bill 525 (S-1) would amend the Office of Child Support Act to include an IRA among the financial assets subject to requirements for the sharing of financial institution records to facilitate the collection of child support.

Under the Act, the Office's duties include developing and implementing a data matching lien and levy system to identify assets, and facilitate the collection of support from the assets, of individuals who have an account at a financial institution and who are obligated to pay child support. The Act requires the Office of Child Support to enter into an agreement with financial institutions to collect the name, address, Social Security number, and account numbers for each parent who maintains an account at the financial institution and who owes past due child support.

The Act contains a definition of "account" similar to that in the Support and Parenting Time Enforcement Act. The bill would include an individual retirement account in the definition of "account".

MCL 552.602 (S.B. 523)
600.6023 (S.B. 524)
400.231 (S.B. 525)

Legislative Analyst: Glenn Steffens

FISCAL IMPACT

The Department of Human Services does not anticipate that the bills would result in any direct administrative costs or savings to the Department. To the extent that the bills increased child support collections, the bills could have a positive impact on the State's eligibility for Federal Title IV-D funding incentives. The incentives are provided to states that meet certain performance standards for the collection and distribution of child support, including payments in arrears.

Date Completed: 11-12-13

Fiscal Analyst: Frances Carley

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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.