

Legislative Analysis



CHANGE MONTHLY PAYMENT PAYDAY

Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 5235 reported from committee as substitute H-1

Sponsor: Rep. Steve Marino

Committee: Commerce and Trade

Complete to 1-17-18

Analysis available at
<http://www.legislature.mi.gov>

BRIEF SUMMARY: House Bill 5235 would amend Public Act 390 of 1978, which regulates the time and manner for payment of wages and fringe benefits to employees, to change the time frame in which wages must be paid to employees who are on a monthly pay period.

FISCAL IMPACT: House Bill 5235 does not appear to have a fiscal impact on any unit of state or local government.

THE APPARENT PROBLEM:

Currently under Public Act 390 of 1978, for an employee on a monthly payday, the employer must pay wages earned in the preceding calendar month on or before the first day of each calendar month (e.g., wages earned in the month of April must be paid on or before May 1.) Reportedly, this is difficult to comply with. Many employers do not finalize and process their payroll information until after the month has officially ended. Additionally, an employer cannot choose a different date for payment of monthly wages, even if the date were amenable to both employer and employee. Legislation has been introduced to give employers more flexibility in meeting monthly payroll deadlines.

THE CONTENT OF THE BILL:

Currently under the act, an employer who has established a monthly payday is in compliance with the act if the employer pays to the employee on or before the first day of each calendar month all wages earned during the preceding calendar month.

Under the bill, an employer who has established a regularly scheduled monthly pay period would be in compliance with the act if the employer pays to the employee within 16 days after the end of a monthly pay period all wages earned during the monthly pay period.

The bill would take effect 90 days after being enacted into law.

MCL 408.472

ARGUMENTS:

For:

The bill will accommodate employers that pay employees on a monthly schedule. The current law is difficult to comply with: it essentially requires an employer to pay monthly wages before the month, and associated bookkeeping and accounting, has even ended.

Additionally, the current statute is silent as to instances when the first of the month is a Sunday or holiday, so an employer could be in noncompliance if a payment were delayed due to a holiday or any other processing error. This is a simple change to give employers more discretion in setting monthly payment dates that best fit their circumstances.

Against:

A concern was raised that the bill could allow employers to pay monthly wages *at any point* within 16 days after the end of a monthly pay period; that is, an employee could be paid 5 days, 10 days, or even 15 days after the close of a monthly pay period, and that payday could change each month.

Response:

The intent of the bill is that an employer would establish a “regularly scheduled monthly pay period,” resulting in a payday that is the same each month.

POSITIONS:

The following entities indicated support for the bill (12-6-17):

Michigan Restaurant Association
Automobile Dealers Association of Michigan
Michigan Chamber of Commerce
National Federation of Independent Business

Legislative Analyst: Patrick Morris
Fiscal Analyst: Marcus Coffin

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