Senate Fiscal Agency
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BILL ANALYSIS

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House Bill 5235 (Substitute H-1 as passed by the House)
Sponsor: Representative Steve Marino
House Committee: Commerce and Trade
Senate Committee: Commerce

Date Completed: 4-24-18

CONTENT

The bill would amend Public Act 390 of 1978, which governs the time and manner of payment of wages and fringe benefits to employees, to specify that an employer who established a monthly pay period would be in compliance with the Act if the employer paid an employee all wages earned during the pay period within nine days after the end of the monthly pay period.

Under Section 2 of the Act, an employer generally must pay the following to each employee:

-- On or before the first day of each calendar month, the wages earned during the first 15 days of the preceding calendar month.
-- On or before the 15th day of each calendar month, the wages earned during the preceding calendar month from the 16th day through the last day.

An employer who has established a monthly payday is in compliance with this requirement 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, instead, an employer who established a regularly scheduled monthly pay period would be in compliance if the employer paid to the employee within nine days after the end of the monthly pay period, all wages earned during the monthly pay period.

(An employer who violates the Act, including Section 2, is guilty of a misdemeanor. (For a misdemeanor for which no punishment is specifically prescribed, the crime is punishable by imprisonment for up to 90 days or a maximum $500 fine, or both.) If the employer, with intent to defraud, fails to pay wages and fringe benefits due an employee, the employer is guilty of a misdemeanor punishable by a maximum $1,000 fine or imprisonment for up to one year, or both. In addition, the Department of Licensing and Regulatory Affairs must order an employer who violates Section 2 or another specified section to pay any wages and fringe benefits due to an employee, and a penalty of 10% of the wages and benefits due. The Department also may order an employer to pay exemplary damages of not more than twice the wages and benefits due, attorney costs, hearing costs, and transcript costs. In addition, the Department may order the employer to pay a maximum civil penalty of $1,000, which must be credited to the General Fund.)

The bill would take effect 90 days after its enactment.

MCL 408.472

Legislative Analyst: Jeff Mann

FISCAL IMPACT

The bill would not have a fiscal impact on the State. The bill could have a small, positive fiscal impact on some local units of government, but only those that make monthly payments to employees. The bill would extend the allowable time after each month for employers that pay monthly to make payments to employees. This has the potential to simplify the payroll process for local units of government by reducing redundancies and giving local treasurers added time to calculate monthly wages, but only for those local units that pay employees on a monthly basis. It is not known how many local units of government pay on a monthly basis, if any. The State of Michigan does not pay employees monthly.

The bill could reduce the number of misdemeanors for violations. Any reduction in misdemeanor arrests and convictions could reduce resource demands on law enforcement, court systems, community supervision, and jails. Any associated decrease in fine revenue would reduce funding to public libraries. A reduction in civil penalties would reduce the State's General Fund.

Fiscal Analyst: Ryan Bergan
Michael Siracuse

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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.