

SENATE BILL NO. 1185

September 28, 2022, Introduced by Senator OUTMAN and referred to the Committee on Regulatory Reform.

A bill to amend 1972 PA 348, entitled

"An act to regulate relationships between landlords and tenants relative to rental agreements for rental units; to regulate the payment, repayment, use and investment of security deposits; to provide for commencement and termination inventories of rental units; to provide for termination arrangements relative to rental units; to provide for legal remedies; and to provide penalties,"

by amending sections 1, 3, 7, 8, 9, 12, 13, and 15 (MCL 554.601, 554.603, 554.607, 554.608, 554.609, 554.612, 554.613, and 554.615), section 1 as amended by 1995 PA 79; and to repeal acts and parts of acts.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 1. As used in this act:

2 (a) "Accrued rent" means unpaid rent for any full rental
3 period or portion of a rental period during which the tenant had
4 actual or constructive possession of the rental unit.

5 (b) "Damages" means actual damages to the rental unit or any
6 ancillary facility that are the direct result of conduct not
7 reasonably expected in the normal course of habitation of a
8 dwelling.

9 (c) "Inventory checklist" means a document that details the
10 interior and exterior condition of a rental unit with respect to
11 all items owned by the landlord, including, but not limited to,
12 carpeting, draperies, appliances, windows, furniture, walls,
13 closets, shelves, paint, doors, plumbing fixtures, and electrical
14 fixtures.

15 (d) "Landlord" means any of the following:

16 (i) The owner, lessor, or sublessor of the rental unit or the
17 property of which it is a part.

18 (ii) A person authorized to exercise any aspect of the
19 management of the premises, including a person that, directly or
20 indirectly, acts as a rental agent, receives rent other than as a
21 bona fide purchaser, and has no obligation to deliver the receipts
22 to another person.

23 (e) "Notice of claims" means a document described in section
24 9(3).

25 (f) "Ordinary mail" means first-class United States mail that
26 is not certified or registered.

27 (g) "Rental agreement" means an agreement that establishes or
28 modifies the terms and conditions concerning the use and occupancy
29 of a rental unit.

(h) ~~(a)~~ "Rental unit" means a structure or part of a structure used as a home, residence, or sleeping unit by a single ~~person~~ **individual** or household unit, or any grounds ~~, or other facilities~~ or area promised for the use of a residential tenant ~~and includes,~~ but without limitation, ~~apartment units, boarding houses, rooming houses, mobile home spaces, and single and 2-family dwellings.~~ **including, but not limited to, an apartment unit, a boarding house, a rooming house, a mobile home space, a single-family dwelling, or a unit in a 2-family dwelling.**

~~(b) "Rental agreement" means an agreement that establishes or modifies the terms, conditions, rules, regulations, or any other provisions concerning the use and occupancy of a rental unit.~~

~~(c) "Landlord" means the owner, lessor, or sublessor of the rental unit or the property of which it is a part and, in addition, means a person authorized to exercise any aspect of the management of the premises, including a person who, directly or indirectly, acts as a rental agent, receives rent, other than as a bona fide purchaser, and who has no obligation to deliver the receipts to another person.~~

~~(d) "Tenant" means a person who occupies a rental unit for residential purposes with the landlord's consent for an agreed upon consideration.~~

(i) ~~(e)~~ "Security deposit" means a deposit, in any amount, paid by the tenant to the landlord or his or her agent to be held for the term of the rental agreement, or any part of the term, and includes any required prepayment of rent other than **rent for the first full rental period, last full rental period, or first and last full rental periods** of the ~~lease~~ **rental** agreement; any sum required to be paid as rent in any rental period in excess of the

1 average rent for the term; and any other amount of money or
 2 property returnable to the tenant on condition of return of the
 3 rental unit by the tenant in **the** condition ~~as~~ required by the
 4 rental agreement. Security deposit does not include either of the
 5 following:

6 (i) An amount paid for an option to purchase, ~~pursuant to~~ **under**
 7 a lease with option to purchase, unless it is shown the intent was
 8 to evade this act.

9 (ii) An amount paid as a subscription for or purchase of a
 10 membership in a cooperative housing association incorporated under
 11 the laws of this state. As used in this subparagraph, "cooperative
 12 housing association" means a consumer cooperative that provides
 13 dwelling units to its members.

14 (j) ~~(f)~~ "Senior citizen housing" means housing for individuals
 15 62 years of age or older that is subsidized in whole or in part
 16 under any local, state, or federal program.

17 (k) **"Tenant" means an individual who occupies a rental unit**
 18 **for residential purposes with the landlord's consent for an agreed-**
 19 **upon consideration.**

20 (l) **"Utility bills" means unpaid utility bills for which the**
 21 **tenant is responsible under the rental agreement.**

22 Sec. 3. (1) A landlord shall not require a security deposit
 23 unless ~~he~~ **the landlord** notifies the tenant no later than 14 days
 24 from the date ~~a~~ **the** tenant assumes possession, in a written
 25 ~~instrument~~ **rental agreement or other writing**, of the landlord's
 26 name and address for receipt of communications under this act ~~and~~
 27 the name and address of the financial institution or surety
 28 ~~required by~~ **company described in** section 4. ~~and the tenant's~~
 29 ~~obligation to provide in writing a forwarding mailing address to~~

1 ~~the landlord within 4 days after termination of occupancy. The~~
 2 ~~notice shall~~**must** include the following statement in ~~12-point~~
 3 ~~boldface~~**at least 12-point boldfaced** type ~~which that~~ is at least 4
 4 points larger than the body of the notice or lease~~rental~~
 5 agreement: ~~"You must notify your landlord in writing within 4 days~~
 6 ~~after you move"~~**Not later than 4 days after you terminate occupancy**
 7 **or the rental agreement terminates, whichever is later, you must**
 8 **notify the landlord in writing, or by other form of communication**
 9 **as specified by the rental agreement, of a forwarding address where**
 10 ~~you can be reached and where you will receive mail. ; otherwise~~
 11 ~~your landlord shall be relieved of sending you an itemized list of~~
 12 ~~damages and the penalties adherent to that failure."~~ **Failure If the**
 13 **notice is mailed, you must send the notice by first-class United**
 14 **States mail that is not certified or registered. If you fail to**
 15 **comply with these requirements, the landlord is not required to**
 16 **send you an itemized list of damages and other claims against your**
 17 **security deposit."**

18 (2) **The landlord's failure** to provide the information **required**
 19 **under subsection (1)** relieves the tenant of ~~his~~**the** obligation
 20 ~~relative to notification of~~ **to notify** the landlord of ~~his~~**the**
 21 **tenant's** forwarding mailing address.

22 Sec. 7. A security deposit may be used only for the following
 23 purposes:

24 ~~(a) Reimburse the landlord for actual damages to the rental~~
 25 ~~unit or any ancillary facility that are the direct result of~~
 26 ~~conduct not reasonably expected in the normal course of habitation~~
 27 ~~of a dwelling.~~

28 ~~(b) Pay the landlord for all rent in arrearage under the~~
 29 ~~rental agreement, rent due for premature termination of the rental~~

~~agreement by the tenant and for utility bills not paid by the tenant.~~

(a) To reimburse the landlord for damages.

(b) To pay utility bills.

(c) To pay accrued rent.

(d) To pay rent due for premature termination of the rental agreement by the tenant.

(e) To pay other claims.

Sec. 8. ~~(1) The landlord shall make use of inventory checklists both at the commencement and termination of occupancy for each rental unit which detail the condition of the rental unit for which a security deposit is required.~~

(1) ~~(2)~~ At the commencement of the lease, the landlord shall ~~furnish~~ **provide** the tenant ~~2 blank copies of a commencement~~ **a blank** inventory checklist. ~~, which form shall be identical to the form used for the termination inventory checklist. The checklist shall include all items in the rental unit owned by the landlord including, but not limited to, carpeting, draperies, appliances, windows, furniture, walls, closets, shelves, paint, doors, plumbing fixtures and electrical fixtures.~~

~~(3) Unless the landlord and tenant agree to complete their inventory checklist within a shorter period, the tenant shall review the checklist, note~~

(2) **The tenant shall record** the condition of the ~~property and return 1 copy of~~ **rental unit on the inventory checklist provided under subsection (1), sign the checklist, and return it to the** landlord ~~within not more than 7 days after receiving possession of the premises.~~ **rental unit, or at an earlier time if agreed to by the** landlord and the tenant. Upon request of the tenant, the landlord

1 must provide the tenant with a copy of the signed inventory
2 checklist.

3 (3) ~~(4)~~ The checklist provided by the landlord at the
4 commencement of the lease under subsection (1) shall ~~must~~ contain
5 the following notice in ~~12 point boldface~~ **at least 12-point**
6 **boldfaced** type at the top of the first page: "~~You should complete~~
7 **"Complete** this checklist, noting the condition of the rental
8 property, and return it to the landlord ~~within~~ **not more than** 7 days
9 after obtaining possession of the rental unit. ~~You are also~~
10 ~~entitled to request and receive a copy of the last termination~~
11 ~~inventory checklist which shows what claims were chargeable to the~~
12 ~~last prior tenants."~~ **If you request it, the landlord is required to**
13 **provide you with a copy of this signed checklist as well as any**
14 **notice of claims showing damages for which the previous tenants**
15 **were responsible upon termination of their occupancy."** A blank
16 inventory checklist printed before the effective date of the
17 amendatory act that amended this section may contain the notice
18 formerly provided for under this section.

19 ~~(5) At the termination of the occupancy, the landlord shall~~
20 ~~complete a termination inventory checklist listing all the damages~~
21 ~~he claims were caused by the tenant.~~

22 Sec. 9. (1) Not later than 4 days after termination of
23 occupancy or the rental agreement terminates, whichever is later,
24 the tenant shall notify the landlord in writing, or by other form
25 of communication as specified by the rental agreement, of the
26 tenant's address at which communications under this act may be
27 received. The notice must be sent to the landlord by ordinary mail
28 at the address specified by the landlord under section 3.

29 (2) ~~In case of damage to the rental unit or other obligation~~

~~against the security deposit, Subject to subsection (4), regardless of whether the tenant was required to pay a security deposit, if the landlord has claims against the tenant as described in section 7, the landlord shall mail to the tenant ,a notice of claims within not more than 30 days after the termination of occupancy or the rental agreement terminates, whichever is later.~~

(3) The notice of claims must include all of the following:

~~(a) an~~**An itemized list of the amounts of any damages claimed for which the security deposit may be used as provided and other claims as described in section 7, including the estimated cost of repair or replacement of each property-damaged item and the amounts and bases on which he that the landlord intends to assess the tenant. The list shall be accompanied by a check or money order for the difference between the damages claimed and the amount of the security deposit held by the landlord and shall must not include any damages that were claimed on a previous termination inventory checklist**notice of claims prior to the tenant's occupancy of the rental unit, unless the damaged item was repaired or replaced by the landlord before the tenant's occupancy. The notice of damages shall include****

(b) A statement of the total amount of all claims.

~~(c) If the tenant was required to pay a security deposit, the following statement in 12 point boldface~~**at least 12-point boldfaced type which shall be that is at least 4 points larger than the body of the notice: "You must"**~~Unless you respond to this notice of claims by first-class United States mail within postmarked not more than 7 days after receipt of same, otherwise the postmark date of this notice, you will forfeit the amount claimed. for damages."~~**Do not respond by registered mail, certified**

1 mail, electronic mail, or fax."

2 (d) A check or money order in the amount, if any, that a
3 security deposit held by the landlord exceeds the total amount of
4 all claims.

5 (4) If a tenant fails to comply with subsection (1), the
6 landlord is exempt from the requirements of subsections (2) and
7 (3).

8 (5) If the tenant complies with subsection (1) and the
9 landlord fails to comply with subsections (2) and (3), the
10 landlord's failure constitutes a waiver of any claims described in
11 section 7, regardless of whether the tenant was required to pay a
12 security deposit, and the landlord shall immediately return the
13 full security deposit, if any, to the tenant.

14 Sec. 12. If a landlord ~~claims damages to a rental unit and~~
15 ~~gives~~ **provides** a notice of damages as required, the tenant upon
16 ~~receipt of the list of damages shall~~ **claims** under section 9 and the
17 tenant was required to pay a security deposit, to dispute a damage
18 charge or other claim the tenant must respond by specifying the
19 disputed item of damage or other claim. The response must be in
20 **writing sent by** ordinary mail to the address ~~provided~~ **specified** by
21 the landlord ~~as required by~~ **under** section 3, ~~within 7 days,~~
22 ~~indicating in detail his agreement or disagreement to the damage~~
23 ~~charges listed. For the purposes of this section the date of~~
24 ~~mailing shall be considered the date of the tenant's response.~~ **and**
25 **postmarked not more than 7 days after the postmark date of the**
26 **notice of claims sent to the tenant under section 9.**

27 Sec. 13. (1) ~~Within 45 days after termination of the occupancy~~
28 ~~and not thereafter the landlord may commence an action in a court~~
29 ~~of competent jurisdiction for a money judgment for damages which he~~

1 ~~has claimed or in lieu thereof return the balance of the security~~
2 ~~deposit held by him to the tenant or any amount mutually agreed~~
3 ~~upon in writing by the parties. A landlord shall not be~~ **is not**
4 ~~entitled to retain any portion of a security deposit for damages~~
5 ~~claimed unless he has first obtained a money judgment for the~~
6 ~~disputed amount or filed with the court satisfactory proof of an~~
7 ~~inability to obtain service on the tenant or unless:~~ **unless 1 or**
8 **more of the following apply:**

9 (a) The tenant has failed to provide a forwarding address as
10 required by section ~~11-9(1)~~. **Failure of the tenant to provide a**
11 **forwarding address does not relieve the landlord of the obligation**
12 **to respond to a subsequent claim by the tenant for the security**
13 **deposit.**

14 (b) The tenant has failed to respond to the notice of ~~damages~~
15 **claims** as required by section 12. **Failure of the tenant to respond**
16 **to the notice of claims does not relieve the landlord of the**
17 **obligation to respond to a subsequent claim by the tenant for the**
18 **security deposit.**

19 (c) The parties have agreed in writing to the disposition of
20 the balance of the deposit claimed by the landlord. **Not more than**
21 **21 days after the agreement is reached, the landlord must return to**
22 **the tenant the amount agreed upon.**

23 (d) ~~The amount claimed is entirely based upon accrued and~~
24 ~~unpaid rent equal to the actual rent for any full rental period or~~
25 ~~portion thereof during which the tenant has had actual or~~
26 ~~constructive possession of the premises.~~ **retained portion is**
27 **entirely for purposes described in section 7(b) to (e).**

28 (e) The landlord has obtained a money judgment in a court of
29 competent jurisdiction for the retained portion. The landlord shall

1 commence the action not more than 45 days after termination of the
 2 tenant's occupancy or the rental agreement terminates, whichever is
 3 later.

4 (2) This section does not prejudice a landlord's right to
 5 retain any security deposit funds as satisfaction or partial
 6 satisfaction of a money judgment obtained pursuant to summary
 7 proceedings filed ~~pursuant to~~ **under** chapter 57 of ~~Act No. 236 of~~
 8 ~~the Public Acts of 1961, as amended, being sections 600.5701 to~~
 9 ~~600.5759 of the Compiled Laws of 1948~~ **the revised judicature act of**
 10 **1961, 1961 PA 236, MCL 600.5701 to 600.5759,** or other proceedings
 11 at law. Failure of the landlord to comply fully with this section
 12 constitutes a waiver of all claimed damages and makes ~~him~~ **the**
 13 **landlord** liable to the tenant for double the amount of the security
 14 deposit retained.

15 Sec. 15. The attorney general or any affected individual may
 16 bring an action to enforce this act in a court of competent
 17 jurisdiction in the county where ~~the defendant resides or does~~
 18 ~~business.~~ **the rental unit is located.**

19 Enacting section 1. Sections 10 and 11 of 1972 PA 348, MCL
 20 554.610 and 554.611, are repealed.

21 Enacting section 2. This amendatory act takes effect 90 days
 22 after the date it is enacted into law.