



Senate Fiscal Agency
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Senate Bill 173 (as enacted)
Sponsor: Senator Jim Stamas
Senate Committee: Local Government
House Committee: Local Government and Municipal Finance
Ways and Means

PUBLIC ACT 141 of 2020

Date Completed: 1-7-21

RATIONALE

In Michigan, law enforcement and local units of government can require a vehicle to be towed as a result of vehicle abandonment, vehicle immobilization, or traffic accidents. Local governments often establish contracts with wrecker or towing services to expedite the process and to regulate the service's fees. In 2014, the Michigan Legislature enacted Public Act 303, which prohibited a local government from requiring as a term of a contract with a wrecker, recovery, or towing service that the service pay a fee to that local unit of government for responding to the scene and providing wrecker or towing services. Reportedly, local units of government and towing services found ways to circumvent the law's prohibitions (such as through payments without use of a contract). Accordingly, it was suggested that the Code be amended to address this issue.

CONTENT

The bill amended the Michigan Vehicle Code to do the following:

- **Prohibit a local unit of government from accepting a payment, commission, or portion of wrecker, recovery, or towing service fees from a wrecker, recovery, or towing service in exchange for securing business for that service.**
- **Prohibit a wrecker, recovery, or towing service from offering to a local unit of government a payment, fee, or commission to induce the local unit of government to enter into a contract with or secure business for the service.**

The bill took effect October 6, 2020.

Under the Code, a local unit of government may not require as a term of a contract with a wrecker, recovery, or towing service that the service pay a fee to that local unit of government for responding to the scene of an impound, accident, disabled vehicle, or abandoned vehicle and providing those services.

In addition, the bill prohibits a local unit of government from accepting a payment, commission, or portion of wrecker, recovery, or towing service fees from a wrecker, recovery, or towing service in exchange for securing business for that service. A wrecker, recovery, or towing service may not offer to a local unit of government a payment, fee, or commission to induce the local unit of government to enter into a contract with or secure business for the service.

MCL 257.676d

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

According to testimony before the Senate Committee on Local Government, some local units of government or law enforcement agencies have accepted payments or commissions from towing companies in exchange for securing business for a towing service. These exchanges can result in undue expenses for drivers. For example, if a driver involved in a traffic accident has insurance coverage for towing service and a law enforcement officer responding to the scene requests a towing service for which the law enforcement agency or local government receives a payment or commission, the driver may have to pay the additional towing fee. Arrangements of this nature between local governments or law enforcement agencies and towing companies also create an unfair and unethical business environment.

The Legislature prohibited contractual arrangements of this type in 2014; however, there are reports that some local governments and towing services have continued them informally or through another noncontractual structures. The bill prohibits these types of exchanges and creates a fair and ethical business environment for towing services and customers.

Legislative Analyst: Tyler VanHuyse

FISCAL IMPACT

The bill will have no fiscal impact on State or local government.

Fiscal Analyst: Ryan Bergan

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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.