

## New Source of Income Requirements

Hello Michigan Realtors® and welcome back to a new installment of the Letter of the Law. By now, many of you have heard that effective April 2, 2025, most Michigan landlords will be required to accept Section 8 vouchers from their tenants. In today's installment, we will discuss aspects of the Michigan law that you'll want to be aware of. But first, a little background.

The Section 8 voucher program has been around for a long time. A Section 8 voucher may be specific to an apartment complex—or tenant based where the tenant may use the voucher at any apartment complex. These latter vouchers are called “housing choice vouchers” or “HCVs.” The goals behind the HCV program were to eliminate concentrations of poverty and to provide greater access to housing for economically challenged individuals and families.

Historically, however, many landlords refused to accept tenants who planned to use HCVs to pay their rent. The reason often given for rejecting these vouchers was that landlords found the bureaucratic requirements of the Section 8 program too onerous. Many fair housing advocates expressed concern that landlords were using the HCV denial to discriminate against persons based on their protected class status—including age, race, disability and familial status. Whatever the reason, it became apparent that a significant number of landlords were not accepting HCVs.

In an effort to facilitate the use of these vouchers, many states and local governments enacted laws that prohibit a landlord from discriminating against a tenant based on that tenant's source of income. Michigan enacted such law in late 2024. The Michigan law does not in any way interfere with a landlord's right to set the rent to be charged, however a landlord cannot reject a potential tenant just because any part of that rent will be paid through the HCV program. If the landlord requires all tenants to have a certain income threshold, the amount of the tenant's vouchers must be included in that tenant's income calculation.

Under Michigan law, a landlord must apply the same requirements to HCV applicants as they do to all other tenant applicants. A landlord cannot impose stricter requirements-- such a higher security deposit or an additional reference--on tenants with vouchers.

Under the new Michigan law, Section 8 vouchers are not the only protected source of income. The law applies to income through any subsidy program and to any other income that is derived from sources and activities permitted by law and provided for **on an ongoing basis**.

Michigan's source of income discrimination has an exemption for any landlord who, along with any related entities, has 5 or fewer rental units in the State. These landlords that meet the exemption should keep in mind, however, that even in the absence of specific source of income statutory protection, housing groups have argued—sometimes successfully—that a landlord's refusal to accept HCVs was unlawful because it had a disproportionate impact on a protected class (such as age, race, disability and familial status). There would be nothing to prevent a tenant from making such a claim against a small landlord who is exempt under Michigan's new

source of income discrimination law. Additionally, even exempted rental property owners should avoid expressly advertising against Section 8 vouchers.

Michigan landlords and property managers who have not already done so will need to review their leasing policies to make sure that they comply with the new law. Obviously, landlords will need to delete any policy that rejects any source of income. Landlords should also make sure that their leasing policies are **in writing** and consistently followed for every tenant applicant. If a claim is made that a particular potential tenant was declined because of their source of income—or for any other unlawful discriminatory reason—a landlord will want to be able to show that it consistently applies the same screening standards to all tenant applicants.

We hope you found this installment beneficial. We know that many of our members operate in a property management capacity and are also often rental property owners in their own right. It will be very important to understand the requirements and the applicability of any exemption under the new law. It will also be important to remain attuned to local requirements. We also continue to urge members to reach out to their local fair housing center as a resource.

That's all for today folks. As always, thank you for watching, and keep those suggestions coming! Until the next time, have a successful spring.