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SFA**BILL ANALYSIS**

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Senate Bill 778 (as reported without amendment)

Sponsor: Senator Virgil C. Smith, Jr.

Committee: Finance

CONTENT

The bill would create the "Michigan Tax Lien Sale and Collateralized Securities Act" to allow the City of Detroit to sell tax liens that had been placed on property for which taxes were delinquent; allow the city to create a "tax lien entity" or entities to purchase the city's tax liens; allow the city or its tax lien entity to issue bonds, notes, or other obligations ("tax lien collateralized securities") whose repayment would be secured by tax liens and any other funds, property, or security pledged for repayment; and exempt tax lien collateralized securities from all State taxation except inheritance and transfer taxes, and exempt from all State taxation the interest on tax lien collateralized securities.

Under the bill, a "tax lien" would be an interest in or encumbrance on real or personal property, whether or not evidenced by a written instrument, imposed pursuant to law or by judgment, that related to unpaid ad valorem property taxes levied on real or personal property; an unpaid special ad valorem levy, special assessment, or user fee or charge; any lien imposed by the city for unpaid rates and charges for services, including, but not limited to, water, sewer, electricity, and demolition services; and any other charge imposed on real property by or on behalf of the city or collected by the city on behalf of any other municipal corporation, including a school district of the city, a municipal corporation, or special district. A tax lien would include all interest, penalties, charges, and surcharges imposed pursuant to law, municipal charter, or an ordinance authorized by municipal charter. "Tax lien entity" would mean an authority, trust, or other single purpose entity created by the city or in which the city held a beneficial ownership interest, to purchase tax liens from the city or to issue tax lien collateralized securities in anticipation of the collection of tax liens; or an economic development corporation established under the Economic Development Corporations Act.

Legislative Analyst: G. Towne

FISCAL IMPACT

The bill would allow the City of Detroit to sell tax liens to a tax lien entity. The City of Detroit or its tax lien entity would be able to purchase any tax lien for delinquent taxes or other charges from the county if the property also were subject to a city tax lien. The city or tax lien entity could then enforce the tax lien purchased from the county in the same manner as the enforcement of a city tax lien occurs. In addition, the city or tax lien entity could authorize and issue tax lien collateralized securities in anticipation of the collection of tax liens. Tax lien collateralized securities and other obligations of the city or the tax lien entity would not be a debt of the State or city.

Date Completed: 11-24-97

Fiscal Analyst: R. Ross

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