

Senate Fiscal Agency  
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**SFA****BILL ANALYSIS**

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Senate Bill 596 (as enrolled)  
Sponsor: Senator Robert Geake  
Senate Committee: Gaming and Casino Oversight  
House Committee: Regulatory Affairs

**PUBLIC ACT 199 of 1997**

Date Completed: 2-12-98

**CONTENT**

**The bill amended the Lottery Act to specify the conditions under which a judicial order voluntarily assigning a State lottery prize may be issued.**

Previously, a State lottery prize was not assignable except: 1) to family members or to the estate of a deceased prizewinner; 2) to the State to pay for any liability to the State a prizewinner had, including support arrearages; or 3) to a person pursuant to an appropriate judicial order. The bill generally retained these provisions but further specifies that payment of any prize may be made to any person pursuant to a voluntary assignment of the right to receive future prize payments, in whole or in part, if the assignment is made to a person or entity designated in an appropriate judicial order of a court of competent jurisdiction located in either the county in which the assignor resides or the county in which the Lottery Bureau is located. An order approving the assignment and directing the Lottery Commissioner to pay the assignee all or a part of future prize payments will be properly issued if the court finds that all of the following circumstances exist:

- The assignment is in writing, executed by the assignor in accordance with State laws, and the assignment discloses the terms of the assignment, including the identity of the assignee, the portion or portions of prize payments to be assigned, and the amounts and dates of any payments that are to be given in exchange for the assignment.
- The assignor provides a sworn affidavit to the court attesting that he or she is of sound mind, is not acting under duress, has been advised regarding the assignment by his or her legal counsel, and understands and agrees that the State and the Commissioner will have no further liability or responsibility to make prize payments to the assignor.
- The proposed assignment does not include or cover payments or portions of payments alleged to be subject to assignment to the State.
- At least five days after filing a petition for a judicial order and at least 10 days before a hearing on the petition, the petitioner has a copy of the petition and notice of hearing on it served upon the Attorney General. The Attorney General or his or her assistant must be permitted to appear and take action that is in the best interest of the Bureau and the State.

The bill allows the Commissioner to establish a reasonable fee to defray the cost of any administrative expenses associated with assignments made under the Act, including the cost of a processing fee that may be imposed by a private annuity provider. The amount of the fee must reflect the direct and indirect costs associated with processing the assignments.

The bill specifies that soliciting or offering rights to lottery prize payments, either by assignment or through pledge as collateral for a loan, will not be considered selling or offering for sale lottery tickets or shares under the Act.

The bill also states that if at any time, the Federal Internal Revenue Service or a court of competent jurisdiction issues a determination letter, revenue ruling, other public ruling of the IRS, or published decision to any State lottery or State lottery prizewinner declaring that the voluntary assignment of prizes will affect the Federal income tax treatment of prizewinners who do not assign their prizes, the Commissioner must immediately file a copy of that letter, ruling, or decision with the Secretary of State and the Office of the State Court Administrator. A court may not issue a voluntary assignment order after the date the letter, ruling, or decision is filed.

MCL 432.25

Legislative Analyst: S. Lowe

### **FISCAL IMPACT**

There will be some administrative costs associated with the assignments made under the bill. The bill allows a processing fee to be established to defray the costs of associated administrative expenses. The bill requires that the fee (to be determined by the Lottery Commissioner) reflect the costs of administering the program. Therefore, the fiscal impact is indeterminate at this time.

Fiscal Analyst: E. Limbs

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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.