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Senate Bill 533 (as enrolled)

*(enacted version)*

Sponsor: Senator Erika Geiss

Senate Committee: Transportation and Infrastructure

House Committee: Transportation, Mobility and Infrastructure

Date Completed: 11-21-23

## **RATIONALE**

One of the Secretary of State's (SOS) most popular services is the facilitation of title transfers. During the 2023 fiscal year, SOS offices across the State completed more than 930,000 private party title transfers.<sup>1</sup> Unlike many of its other services, a transfer of title requires an office visit and the mailing of a paper certificate, which may be inconvenient and time-consuming. Accordingly, it has been suggested that the SOS offer an option to transfer titles online.

## **CONTENT**

**The bill would amend the Michigan Vehicle Code to allow the SOS to issue a vehicle title electronically and establish and operate an electronic system to facilitate electronic transfers of vehicle ownership between private parties.**

Among other things, the Code prescribes the requirements and process for obtaining a certificate of title for a vehicle. Under the bill, the SOS could issue a paper certificate of title, unless a security interest was entered electronically, or could issue a title electronically, upon receipt of the required fees. It also would specify that certain requirements for a certificate of title subject to a security interest would apply to paper titles.

The bill would allow the SOS to establish, implement, and operate an electronic system to process the notification and transfer of a vehicle ownership interest between private parties through an electronic transfer instead of the collection of paper documents otherwise required under the Code.

If the electronic system were established, a private party that used the electronic system would have to comply with any of the Code's requirements that the SOS determined were necessary and provide any information that was required by SOS. The SOS could enter one or more contracts to establish, implement, and operate the electronic system. A contract would have to require the protection of proprietary information contained in the electronic system and other information as protected under the Code.

"Private parties" would mean that both a vehicle's buyer and seller are not a dealer.

MCL 257.217 et al.

## **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.)*

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<sup>1</sup> McClallen, Scott, "Michigan bill aims to allow electronic transfer of vehicle titles", *The Center Square*, October 4, 2023.

### **Supporting Argument**

The bill would make title transfers more convenient. Individuals in the process of purchasing a vehicle who do not have access to reliable transportation may face difficulties in travelling to an SOS office. Additionally, individuals may find the process of visiting and waiting at an SOS office time-consuming and inconvenient, especially if they must travel a long distance. According to testimony before the Senate Committee on Transportation and Infrastructure, online transfers of title also could be faster than the transmission of paper certificates. Several other states, including Illinois and Indiana, offer online title transfers.<sup>2</sup> Michigan should join them in easing the title transfer process for residents.

Legislative Analyst: Abby Schneider

### **FISCAL IMPACT**

The bill would have a fiscal impact for the Department of State (DOS) of an estimated \$550,000 and no fiscal impact for local governments. According to the DOS, it has instituted most of the requirements in the bill regarding electronic transfer of titles. The Michigan Electronic Filing System currently allows vehicle dealerships to process transactions such as title transfers and registrations. The Department's Electronic Lien and Title System mandates, as of October 1, 2023, that for most vehicles involving a lien, dealerships must provide individuals with an electronic title.

While most of the requirements under the bill could already be completed by the DOS, there would be additional programming of the systems to comply with all the bill's requirements. As mentioned, those costs are estimated as a one-time cost of \$550,000. Should the DOS choose not to contract for some of the required services, the hiring of additional staff could become necessary. The average cost for a State classified employee for salary and benefits is an estimated \$147,000 annually.

Fiscal Analyst: Joe Carrasco, Jr.

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<sup>2</sup> Hakala, Josh, "Michigan Senate considering bill to allow electronic transfer of vehicle titles", *WEMU News*, October 6, 2023.

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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.