

CHANGE CRITERIA FOR CERTAIN REAL ESTATE TRANSFER TAX EXEMPTION

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House Bill 4643 (committee substitute H-1)
Sponsor: Rep. David C. Maturen
Committee: Tax Policy
Complete to 2-13-18

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

House Bill 4643 would amend the State Real Estate Transfer Tax Act to alter the eligibility requirements for one of the exemptions from the tax.

Currently under the act, an exemption to the tax applies if all the following criteria are met:

- The property qualifies for a Principal Residence Exemption.
- The state equalized value (SEV) of the property is less than or equal to the SEV on the date of purchase or on the date of acquisition by the seller.
- The transaction is at a price at which a willing buyer and seller would arrive through an arms-length negotiation.

The bill would revise the second criterion above. The bill would delete the reference to the SEV on the date of purchase. Under the bill, in order to meet the exemption criteria, the SEV of the property would have to be less than or equal to the SEV on the later of the first tax day after the issuance of a certificate of occupancy for the residence or the date of acquisition of the property by the seller.

MCL 207.526

BRIEF BACKGROUND:

The State Real Estate Transfer Tax Act imposes a tax of \$3.75 for each \$500 (0.75%) or fraction thereof of the value of the property being transferred. The tax is payable by the seller or grantor of property, and is generally imposed upon (1) contracts for the sale or exchange of property, or the assignment or transfer of property or any interest in property; and (2) deeds or instruments of conveyance of property or any interest in property. The revenue collected by the tax is deposited in the School Aid Fund. The act includes a list of written instruments and transfers that are exempt from the tax.

FISCAL IMPACT:

To the extent that the bill increases the seller's SEV (which would make it easier to qualify for an exemption against the real estate transfer tax), transfer tax revenue would decrease by an unknown amount. Without knowing the specific SEVs and the number of transactions that would be affected, it is not possible to estimate the fiscal impact. In FY

2016-17, the real estate transfer tax generated \$317.2 million, all of which was earmarked to the School Aid Fund.

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.