

**REAL ESTATE TRANSFER TAX:  
INITIAL IMPROVEMENTS**

**House Bill 4573**  
**Sponsor: Rep. William J. O'Neil**  
**Committee: Tax Policy**

**Complete to 4-23-03**

**A SUMMARY OF HOUSE BILL 4573 AS INTRODUCED 4-10-03**

One of the elements of the school finance system created with the passage of Proposal A in 1994 is the State Real Estate Transfer Tax Act. This act levies a three-quarters of one percent tax on the transfer of real property from one party to another, with the revenue going to the School Aid Fund. (The actual rate is set at \$3.75 for each \$500 or fraction of \$500 of the total value of the property being transferred.) The liability for the tax is on the seller.

House Bill 4573 would amend the act to levy the transfer tax on the value of initial improvements in those cases when the purchase agreement or written agreement, covenant, or restriction limits the transferee's (i.e., the buyer's) choice of construction contractor or when the initial improvements are constructed by the transferor (seller) or an affiliate of the transferor. The term "initial improvements" would be defined to mean improvements to real property made prior to the issuance of a certificate of occupancy. The value of such improvements would be the current or fair market worth in terms of legal monetary exchange at the time of completion of the improvements. The bill would take effect October 1, 2003.

The owner of property would be required to pay the tax imposed on initial improvements to the county treasurer within 30 days after the issuance of a certificate of occupancy on the property. A city or township treasurer would be required to notify the county treasurer of initial improvements the assessor believes are subject to the transfer tax. If the property owner has not paid the tax, the county treasurer would have to notify the state treasurer. The Department of Treasury would assess the unpaid tax under the Revenue Act.

MCL 207.552 et al.

Analyst: C. Couch

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