

Legislative Analysis



TRANSFER OF PROPERTY TO RELATIVES

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House Bill 4753 as enacted
Public Act 497 of 2012
Sponsor: Rep. Peter Pettalia
Committee: Tax Policy

Complete to 10-24-13

A SUMMARY OF HOUSE BILL 4753 AS ENACTED

The bill specifies that when real property is transferred to a person related by blood or affinity to the first degree, and the use of the property does not change following the transfer, the transfer does not constitute a transfer of ownership for purposes of the recalculation of taxable value (or assessment cap "pop-up"). The bill is an amendment to the General Property Tax Act (MCL 211.27a). It applies to transfers on or after December 31, 2013.

The term "transfer of ownership" is a relevant term under the General Property Tax Act because of its application to the cap, or limit, on property assessments. Under Michigan law, the taxable value of a parcel of property cannot increase from one year to the next by more than the rate of inflation or five percent, whichever is less. However, when there is a transfer of ownership, the assessment of a parcel "pops up" to 50% of market value.

That is, upon transfer, the taxable value is "uncapped" and the cumulative benefit of the cap falls away. (In other words, under this system, new owners typically pay more in property taxes than longtime owners for equivalent property.) The act defines when a transfer of ownership has occurred for the purpose of re-setting the assessment based on market value.

The act previously exempted from the definition of transfer of ownership, the transfer of property from one spouse to another and from a decedent to a surviving spouse. Under House Bill 4753, the exemption applies to any transfer of real property to a person related by blood or affinity to the first degree, as long as the subsequent use of the property does not change.

[Note: A first degree blood relation includes a father or mother, and a son or daughter. Affinity to the first degree includes the following relationships: spouse, father or mother, father or mother of the spouse, son or daughter, including adopted children, and son or daughter of the spouse.]

For additional information on this new act, see the State Tax Commission's Bulletin 5 of 2013, at: http://www.michigan.gov/documents/treasury/Bulletin2013-5_421071_7.pdf

FISCAL IMPACT:

As written, the bill would result in an indeterminate loss of revenue to state and local government. Because the number of affected properties, the respective taxable values, and the corresponding millage rates are not known, a fiscal impact cannot be determined.

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