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BILL



ANALYSIS

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House Bill 4753 (Substitute H-2 as reported without amendment)

Sponsor: Representative Peter Pettalia

House Committee: Tax Policy

Senate Committee: Finance

CONTENT

The bill would amend the General Property Tax Act to exclude from "transfer of ownership" the transfer of residential property to a person related to the transferor to the first degree.

Under Michigan law, the taxable value of a parcel of property (adjusted for additions and losses) may not increase from one year to the next by more than 5% or the increase in the consumer price index, whichever is lower, until there is a transfer of ownership. At that time, the assessment is "uncapped" and the parcel is taxed upon its State equalized valuation (50% of its true cash value). The General Property Tax Act defines "transfer of ownership" for this purpose and identifies transactions that do not constitute a transfer of ownership.

Under the bill, beginning December 31, 2013, "transfer of ownership" would not include a transfer of residential real property if the transferee were related to the transferor by blood or affinity to the first degree and the use of the property did not change following the transfer.

"Residential real property" would mean property classified as residential real property under Section 34c of the Act.

MCL 211.27a

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would lower State and local property tax revenue, as well as increase School Aid Fund expenditures, by an unknown amount that would depend on the specific characteristics of any property affected by the bill. The bill would eliminate any potential "pop up" in property taxes when property was transferred under the provisions of the bill. While the bill would not reduce property tax revenue from current levels, it would lower collections after a transfer from what they would be under current law. The effective reduction in property tax revenue would affect local governments and local school districts, as well as State School Aid Fund revenue from the State Education Tax. To the extent that per-pupil funding allowances were maintained, the bill would increase School Aid Fund expenditures to offset the loss of revenue to local school districts.

Date Completed: 6-13-12

Fiscal Analyst: David Zin