



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL



ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986

House Bill 4173 (as passed by the House)
Sponsor: Representative David C. Maturen
House Committee: Tax Policy
Senate Committee: Finance

Date Completed: 6-15-15

CONTENT

The bill would amend the Real Estate Transfer Tax Act to do the following regarding the exemption to the real estate transfer tax of a principal residence that has not increased in value since its purchase:

- **Require the State Treasurer to impose a penalty of 20% of the tax in addition to the tax due for property sold for an amount greater than two times the State equalized value (SEV) (instead of a value other than its true cash value).**
- **Allow a seller, or a buyer who paid the tax on behalf of the seller, to request a refund of the tax paid if he or she determined that the property was eligible for the exemption at the time of the transfer.**

Currently, the Act allows an exemption to the tax if both of the following apply:

- The property qualifies for the principal residence exemption.
- The 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 or transferor.

If, after the exemption is claimed, the sale or transfer of the property is found by the State Treasurer to be at a value other than the true cash value, then a penalty of 20% of the tax must be assessed in addition to the tax due. The bill would instead impose the penalty if the property sold for an amount greater than two times the SEV.

The bill also would allow a seller, or a buyer who paid the tax on behalf of the seller, to request a refund from the Department of Treasury in a form and manner determined by the Department if he or she determined that the property was eligible for the exemption at the time of the transfer. The Department would have to pay the refund if it determined that the property was eligible for the exemption at the time of the transfer.

The bill specifies that these amendments would be retroactive and would apply to a sale, exchange, assignment, or transfer beginning four years immediately preceding the bill's effective date.

MCL 207.523 & 207.526

Legislative Analyst: Ryan M. Bergan

FISCAL IMPACT

The bill would reduce State School Aid Fund revenue by an unknown amount depending upon the number of properties affected, as well as their specific characteristics. Furthermore, the

average number of transfers in which a buyer or seller pays the tax, although the transfer is exempt, is unknown. Because of the retroactive provisions of the bill, revenue would likely be reduced more during the first year the bill was effective than in later years. The tax generated \$233.4 million during FY 2013-14.

Fiscal Analyst: David Zin

SAS\S1516\s4173sa

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.