Senate Fiscal Agency
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BILL ANALYSIS

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House Bill 4643 (Substitute H-2 as passed by the House)
Sponsor: Representative David Maturen
House Committee: Tax Policy
Senate Committee: Finance

Date Completed: 5-1-18

CONTENT

The bill would amend the State Real Estate Transfer Tax Act to modify criteria a written instrument conveying an interest in property must meet to be exempt from the tax levied under the Act, for property eligible for the principal residence exemption. The exemption would be retroactive and applicable to a sale, exchange, assignment, or transfer beginning four years before the bill's effective date.

The Act imposes a tax on the transfer of an interest in real property at the rate of $3.75 for each $500 or fraction of $500 of the total value of the property being transferred.

The Act exempts various instruments and conveyances from the tax. One exemption applies to the sale of a principal residence that has not increased in value since its purchase. Specifically, the Act exempts a written instrument conveying an interest in property for which an exemption is claimed under Section 7cc of the General Property Tax Act (the principal residence exemption) if both of the following are met:

-- The transaction was for a price at which a willing buyer and seller would arrive through an arms-length negotiation.
-- The State equalized valuation (SEV) of that property is equal to or less than the SEV on the date of purchase or on the date of acquisition by the seller or transferor for the same interest in property.

The bill would revise the second condition as follows: the SEV of that property was equal to or less than the SEV determined as of the first tax day after the issuance of a certificate of occupancy for the residence, or the date of acquisition of the property, whichever came later, by the seller or transferor for the same interest in property.

Currently, the exemption is retroactive and applies to a sale, exchange, assignment, or transfer on or after June 24, 2011. Under the bill, the exemption would apply to a sale, exchange, assignment, or transfer beginning four years immediately preceding the effective date of the bill, subject to the statute of limitations period provided in Section 27a of the revenue Act.

(Section 27a(2) prescribes a four-year period, referred to as the statute of limitations, for a taxpayer to claim a refund after the date set for filing an original return; or for the Department of Treasury to assess a deficiency, interest, or a penalty after the filing date or the date a return was filed.)

MCL 207.526 Legislative Analyst: Drew Krogulecki

FISCAL IMPACT

The bill would have a negative fiscal impact on the State and no fiscal impact on local government. It is unknown how many more properties would be granted an exemption from the Real Estate Transfer Tax, but any decrease would reduce revenue for the School Aid Fund. In fiscal year 2016-17, the State collected $317.2 million from the tax, which is earmarked for the School Aid Fund.

Fiscal Analyst: Ryan Bergan

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