

TRANSFER OF OWNERSHIP

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House Bill 4014 as passed by the House
Sponsor: Rep. Bradley Slagh
Committee: Finance
Complete to 3-20-25

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

House Bill 4014 would amend the General Property Tax Act to modify the exemption from the act's definition of *transfer of ownership* for transfers of residential real property to a previous owner's immediate family members.

Under the act, the taxable value of a property generally cannot increase by more than 5% or the rate of inflation, whichever is less, from one year to the next. However, if there is a transfer of ownership, the property's taxable value is "uncapped," meaning that it increases to 50% of the property's market value (also referred to as the State Equalized Valuation, or SEV). The act defines when a *transfer of ownership* has occurred and provides several specific exemptions from the definition.

Previously, 2014 PA 310 amended the act to provide that, beginning December 31, 2014, a transfer of ownership does *not* include a transfer of residential real property to the previous owner's (or their spouse's) mother, father, brother, sister, son, daughter, adopted son, adopted daughter, grandson, or granddaughter, as long as the property is not used for commercial purposes after the transfer. This includes transfers to or from a trust if the individual receiving the property, or the sole beneficiary of the trust receiving the property, is one of the above individuals.

House Bill 4014 would add that this exemption includes transfers to a previous owner's (or their spouse's) grandmother or grandfather. It would also add these individuals to those eligible for the exemption in transfers involving a trust, as described above. It would remove language providing that these exemptions apply beginning December 31, 2014.

The bill also would provide that the above exemptions apply to a transfer to the previous owner's (or their spouse's) brother, sister, son, daughter, adopted son, adopted daughter, grandson, or granddaughter and that individual's spouse, if the transfer occurred on or after December 31, 2021. Similarly, for a transfer to a trust, the designation of the previous owner's (or their spouse's) brother, sister, son, daughter, adopted son, adopted daughter, grandson, or granddaughter as a sole beneficiary would include a designation of that individual and their spouse made on or after December 31, 2021.

Life lease or life estate

Currently, the act provides that the transfer of a portion of residential real property that had been subject to a life lease or life estate that was retained by the transferor upon the expiration of the lease or estate does not qualify as a transfer of ownership if the following apply:

- The transfer took place after December 31, 2014.

- The transferee is the transferor's (or their spouse's) mother, father, brother, sister, son, daughter, adopted son, adopted daughter, grandson, or granddaughter.
- The property is not used for any commercial purpose after the transfer.

The bill would specify that a transfer to a trust for which the transferor or transferor's spouse is the settlor and the sole present beneficiary or beneficiaries are the settlor's, or their spouse's, mother, father, brother, sister, son, daughter, adopted son, adopted daughter, grandson, or granddaughter would be exempt and would also not be a transfer of ownership if it met the other requirements set by the act.

MCL 211.27a

BRIEF DISCUSSION:

According to committee testimony, the bill is intended to clarify the existing statute after a recent reinterpretation of the existing language has led to the uncapping of some properties when they are transferred to a blood relative and their spouse. Supporters of the bill argued that the new interpretation violates the spirit of the current law.

FISCAL IMPACT:

The bill would have an indeterminate fiscal impact on state or local government revenues. To the extent that the bill results in a lower taxable value than otherwise would have occurred, the bill would reduce revenues for state and local government. However, the degree to which this is the case cannot be determined with any certainty.

POSITIONS:

The following entities indicated support for the bill:

- Michigan Realtors (3-4-25)
- Home Builders Association of Michigan (3-11-25)
- City of Ann Arbor (3-11-25)
- Michigan State Employee Retirees Association (3-11-25)

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations and does not constitute an official statement of legislative intent.