

Legislative Analysis



TRANSFER OF PROPERTY TO RELATIVES

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House Bill 4753

Sponsor: Rep. Peter Pettalia

Committee: Tax Policy

Complete to 1-31-12

A SUMMARY OF HOUSE BILL 4753 AS INTRODUCED 6-15-11

The bill would specify that when real property is transferred to a person related by blood or affinity to the third degree, and the use of the property does not change following the transfer, the transfer would 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). As written, it applies to transfers beginning December 31, 2011.

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, the taxable value is "uncapped" and the cumulative benefit of the cap falls away. (In other words, new owners 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 now exempts 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 would apply to any transfer of real property to a person related by blood or affinity to the third degree, as long as the subsequent use of the property does not change.

[Note: A third degree blood relation would include: spouse, children, parents; brothers, sisters, half-brothers, half-sisters, grandchildren, grandparents; uncles, aunts, nephews, nieces, great grandparents, great grandchildren. A third degree affinity relation would include: stepchildren, stepparents, mother-in-law, father-in-law; stepbrothers, stepsisters, brothers-in-law, sisters-in-law, step grandchildren, stepgrandparents; step uncles and aunts, step nephews and nieces, step great grandparents, and step grandchildren.]

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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