

MICHIGAN R/E TRANSFER TAX

I) WHAT IS THE TRANSFER TAX?

The Michigan R/E Transfer Tax is, in general, a tax imposed on the “total consideration” of the real property, based on the actual value of the property conveyed. If “total consideration” is not stated on the deed (or written instrument), then a “Real Estate Transfer Valuation Affidavit” shall be filed. In these instances, the written instrument should state that such affidavit is on file.

The transfer tax is actually two taxes: the State Transfer Tax of .75% (MCL 207.526, effective 1-1-1995) and the County Transfer of .11% (MCL 207.505), charged against “total consideration”. For instance, on a qualifying real estate actual value sale of \$50,000 the State Transfer Tax would be \$375.00 and the County Transfer Tax an additional \$55.00, both payable to the County Register of Deeds office.

II) WHAT PROPERTY TRANSFERS TRIGGERS THIS TAX?

Generally, any real-estate transfer exceeding \$100 in value within Michigan is subject to transfer tax. However, there are notable exemptions:

- A) Conveyances from Parent to Children;
- B) Conveyances from one Spouse to the other;
- C) Conveyance from Grandparents to Grandchildren is exempt from State transfer tax, but not County transfer tax;
- D) Land contracts are exempted Until contract is paid off and warranty deed is issued. Then transfer tax is invoked;
- E) Transfer of mineral right, underground gas storage, leases (including oil/gas leases), or assessed personal property is exempt.
- F) Simply adding name(s) as joint owners where grantor is already owner is exempt;
- G) Granting (or discharge) of security interest is exempt;
- H) Property sold by (or given to) the U.S. Michigan, or subdivisions thereof is exempted;
- I) Court-Ordered transfers are exempt, unless specific monetary remuneration is ordered for transfer;
- J) Simply straightening boundary lines, or correcting a flaw in Title is exempted.

ADDITIONALLY, THE FOLLOWING SITUATIONS ARE EXEMPT FROM STATE TRANSFER TAX, BUT NOT EXEMPT FROM COUNTY TAX:

- 1) A R/E transfer made, subject to a binding sales agreement in place before 01-01-1995, if such agreement cannot be withdrawn, altered, or price changed.
- 2) R/E transfer involving “homestead exemption” qualifying property (which includes most primary residences and farm properties) **IF**:
“The State Equalized Value” (SEV) of the property transferred is equal to or less than the SEV of the same property when the seller acquired it.
- 3) Property transferred through foreclosure of a mortgage. However, subsequent sales are not exempt.

III) OTHER NOTES ON TRANSFER TAX:

- A) Tax is sellers (or grantors) responsibility;
- B) If transfer is exempt, such exemptions are to be stated on the face of the deed or instrument;
- C) An exchange of two properties subjects each parcel to the transfer tax, based on respective actual values;
- D) Conveyances affecting property situated in more than one county must allocate the portion of the actual value of each parcel lying in each respective county, and transfer tax allocation paid accordingly to each county.

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