



A Transfer Tax Exemption for the Sale of Certain Principal Residences

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Michigan imposes a transfer tax on most transfers of real estate, payable by the seller at the time a deed or easement is recorded. The transfer tax is \$1.10 per thousand dollars of consideration for the transfer tax payable to the local county, and \$7.50 per thousand dollars of consideration for the transfer tax payable to the state.

For example, on a sale of real estate for a price of \$100,000, the seller would be liable for \$860 in transfer taxes. The taxes are typically collected by title companies and paid to the local county. Some transactions are exempt from the transfer tax. An example of such an exemption is when real estate transfers for less than \$100. No transfer tax would be owed on such a transaction.

A less well-known exemption applies, however, when a real estate transfer involves a principal residence. In general, if a principal residence sells for less than what the seller paid for the residence (that is, the property has decreased in value), and the sale is an arms-length sale with a willing buyer and a willing seller, the sale will be exempt from state transfer tax under MCL 207.526(u).

Note that the sale will still be subject to the county transfer tax. Accordingly, in any sale of a principal residence, the seller should determine if the sale price is less than what the seller paid for the residence. If so, then the property may be exempt from state transfer taxes.

If you have questions about how this transfer tax may apply to you, contact Scott Hogan at 616.726.2207 or at shogan@fosterswift.com. Scott practices in the areas of real estate, business law, receiverships, and bankruptcy.

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