

Can Your Previous Seller Client Be Due A Transfer Tax Refund?

In July the Supreme Court of Michigan issued an Opinion that made a State Transfer Tax refund possible for a large group of sellers who sold real property within the past 4 years. The refund has become possible because of a new interpretation of one of the Michigan State Transfer Tax Exemptions. Sellers may be eligible for a tax refund of \$7.50/\$1,000 of the sale price, e.g. \$1,500 on a \$200,000 sale! The exemption can be claimed when the following requirements are met:

- 1) SEV in the year of sale was **lower** than the SEV in the year of seller's purchase; and
- 2) The property qualified for a 100% Principal Residence Exemption at the time of sale.

Prior to July, the widely held interpretation was that to claim the exemption there was an additional requirement that the sales price could not exceed the "true cash value " (SEV x 2) of the property. The Supreme Court of Michigan has done away with this requirement. Instead, the sales price simply had to be the result of arm's length negotiations between the seller and purchaser. Sellers that would have qualified for this exemption may now retroactively claim the exemption by requesting a refund from the State of Michigan.

EXAMPLE: Fred and Norma Seller purchased their home in 2004. At the time of the purchase, the SEV of the home was \$ 125,000. Fred and Norma sold the home in 2010 for \$200,000. The home was their principal residence in 2010 and the SEV of the home was \$ 95,000. Fred and Norma paid \$1,720 of transfer tax, as under the old interpretation, they had sold home for more than "true cash value"- $\$95,000 \times 2 = \$190,000$.

Under the NEW INTERPRETATION because SEV at time of sale-\$95,000-was lower than SEV at time of original purchase- \$125,000- they are entitled to a refund of \$1,500 of the transfer taxes they paid.

BUT YOU MUST FILE WITHIN 4 YEARS AND 15 DAYS OF THE SALE SO BE QUICK!!!!

HOW TO GET YOUR MONEY

- Step 1. Contact your local assessor. Nearly all assessors are listed on the internet. Just "Google" the name of your City/Township and go to their website. Find out the property's SEV in the year you purchased the home ("P") and the SEV in the year you sold your home ("S"). Confirm that the home was 100% homesteaded in year of sale. If it was homesteaded, and S is lower than P, congratulations-you are eligible for a refund! (See worksheet below)
- Step 2. The refund application can found at the following link:

https://www.michigan.gov/documents/2796f7_2601_7.pdf

- Step 3. Complete the application and file it with the Michigan Department of the Treasury at:

Michigan Department of Treasury
Special Taxes Division
Miscellaneous Taxes and Fees/SRETT
P.O. Box 30781
Lansing, MI 48909-8281

Still have Questions?
Contact Liberty Title's legal department and ask for Pat, David or Terese
Phone: 855-343-8830



State Transfer Tax Exemption Worksheet

1. Is the property currently claimed as a Homestead: YES NO (Circle One)
If "Yes", continue; if "**No**", **Stop**; you cannot claim the exemption.
2. What is the SEV for 20____ (SEV in the year of sale) \$_____
3. What was the SEV on the date of purchase? \$_____
- Is the answer to #2 less than or equal to the answer to #3? YES NO (Circle One)
If "Yes", continue to #4; if "**No**", **Stop**; you cannot claim the Exemption.
4. What is the purchase price? \$_____
5. Is the purchase price the product of arm's length negotiation? YES NO (Circle One)

Yes:

IF THE ANSWER TO #5 IS "YES", THE TRANSACTION IS EXEMPT FROM THE STATE TRANSFER TAX OF \$7.50/\$1,000.00.

No:

IF THE ANSWER TO #5 IS "NO", THE TRANSACTION IS NOT EXEMPT FROM THE STATE TRANSFER TAX.

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