

Obtaining a refund of transfer tax paid on the sale of a home that has lost value

Thanks to a Michigan Supreme Court decision and legislation in which the Michigan Realtors® played a key role, Michigan home sellers whose homes have declined in value since they purchased them have an exemption from transfer tax and can obtain a refund if they paid the transfer tax. A sale is exempt from state transfer tax under exemption (u) if the State Equalized Value (SEV) at the time of sale is equal to or less than the SEV at the time it was purchased, so long as the sale is for fair market value. If the exemption would have applied but the transfer tax was paid, the party who paid the tax (almost always the seller), can obtain a refund for a sale on or after June 24, 2011. The exemption matters – at 0.75%, state transfer tax on the sale of home for \$200,000, for example, is \$1,500.

The Michigan Department of Treasury website provides a [transfer tax refund form](#) for filing the request for refund, along with directions as to the required documentation for obtaining the refund.

To obtain the refund, the property owner will need:

- Proof of payment of the transfer tax. This will be shown on a copy of the recorded deed or you can provide copies of the receipt from the County Treasurer accompanied by a copy of the Form L-4258 Real Estate Transfer Tax Valuation Affidavit that was filed at the time of purchase or the time of sale. A copy of the recorded deed can be obtained from the Register of Deeds.
- A copy of the settlement statement/closing statement showing which party paid the transfer tax.
- Proof of purchase and purchase price in the year of purchase, usually by a copy of the recorded deed or the Form L-4258 Real Estate Transfer Tax Valuation Affidavit.

- Documentation of the State Equalized Value (SEV) in the year of purchase. This can be found on a tax bill or assessment notice for that year (see below for further assistance).*
- Proof of date of sale and proof of sale price of property, again usually by a copy of the recorded deed or the Form L-4258 Real Estate Transfer Tax Valuation Affidavit.
- Documentation of the State Equalized Value (SEV) in the year of sale. This can be found on a tax bill or assessment notice for that year (see below for further assistance).*

The sale price will ordinarily appear on the deed and if not, on the Form L-4258 Real Estate Transfer Tax Valuation Affidavit.

*If you do not have a tax bill or assessment notice for each year, the SEV for the year of purchase and the year of sale can be obtained from the local city or township treasurer or assessor by addressing a Freedom of Information Act request to the city or township requesting documentation to show it. A form is provided. The street address will usually be sufficient identification, but if it is available, you may add the tax parcel identification number, which usually appears on the deed and on the Real Estate Transfer Tax Valuation Affidavit.

Common Illustrations

QUESTION: Some clients of mine sold their principal residence in 2013 and the SEV was lower at the time they sold it than when they purchased it. They just found out that they might be entitled to a refund of the state transfer tax they paid. They sold the house at a profit; will they still be entitled to the refund?

ANSWER: YES, to qualify for the state transfer tax refund, the SEV at the time of purchase must be higher than the SEV at the time of sale. The fact that they sold the house at a profit has no effect on their ability to get a refund.

QUESTION: Some clients of mine bought vacant land in 2011 on which they had a house constructed in 2012. They sold the house in late 2014. Will they be entitled to a state transfer tax refund if the SEV of their property at the time the house was completed was more than at the time of sale?

ANSWER: NO, since at the time of purchase, the land was vacant, they cannot claim a refund of the state transfer tax since the property was not their principal residence at the time of purchase and the original SEV was on the unimproved land. A trailer bill has been requested to address this situation and should be introduced in the spring of 2016.

FOIA Template

[your name]

[street address]

[city, state, zip code]

[date]

City or Township of _____

[street address]

[city, state, zip code]

Attn: FOIA coordinator

Dear Sir or Madam:

Under the Michigan Freedom of Information Act, section 15.231, et seq, I am requesting an opportunity to inspect or obtain copies of public records that show the State Equalized Value for the property at _____ [(Parcel No. ___ - ___ - ___ - ___ - ___) (if known) in [year of purchase] and [year of sale].

If there are any fees for searching or copying these records, please inform me if the cost will exceed \$ _____.

The Michigan Freedom of Information Act requires a response to this request within five days. If access to the records I am requesting will take longer than this amount of time, please contact me with information about when I might expect copies or the ability to inspect the requested records.

If you deny any or all of this request, please cite each specific exemption you feel justifies the refusal to release the information and notify me of the appeal procedures available to me under the law.

Very truly yours,

[your name]

[your phone number]