



Carole Bullion

**Question: I just received my closing statement for a property I am selling and noticed that I am being charged for "Transfer Tax". I never agreed to pay this in my purchase contract.**

**What is this tax and why do I have to pay it?**

This is a pretty common question as most homeowners are unaware of this charge.

Property transfer tax is an assessment charged by both the State of Michigan and the individual county. When you transfer real estate, they charge a fee as a percentage of the sales price. A portion (\$3.75 per each \$500.00) of sales price is paid to the State of Michigan. The County in which the property is located will receive \$.55 per each \$500.00 of sales price.

These taxes are charged on deeds or instruments of conveyance of real property or any interest for a consideration. Consideration is a term that describes the value that changes hands as a part of an agreement – in most cases consideration on a deed or conveyance will be the sales price of the real property.

According to the Michigan's statute with regards to who pays for this transfer tax – it is very clear – "the tax shall be upon the person who is the seller or grantor" – MCL 207.502 (2) The seller will be responsible to pay this tax unless the purchase contract reads differently. On occasion, parties will negotiate for the buyer to pay this tax.

There are some conveyances that are exempt from either the state or county transfer tax. You can find those exemptions on the Mi.gov website.

**LIBERTY TITLE**



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