# Transfer of Ownership Guidelines

## PREPARED BY THE MICHIGAN STATE TAX COMMISSION


**Issued June 2013**

# TABLE OF CONTENTS

## Background Information

The State Tax Commission has issued several Bulletins and memoranda pertaining to transfer of ownership and taxable value uncapping issues:

Bulletin No. 16 of 1995 addresses the implementation of the uncapping of an individual property's taxable value for a transfer of ownership when the assessor is aware of the transfer prior to the adjournment of the March Board of Review.

Bulletin No. 8 of 1996 addresses procedures to use when a transfer of ownership is discovered after the close of the March Board of Review.

A portion of Bulletin No. 3 of 1997 constitutes a supplement to Bulletin No. 16 of 1995. Another portion of Bulletin No. 3 of 1997 covers changes to the prescribed treatment of delayed uncapping situations and constitutes a supplement to Bulletin No. 8 of 1996.

Bulletin No. 7 of 2006 addresses the transfer of ownership exemption for qualified agricultural property allowed by Public Act 260 of 2000. Bulletin No. 7 of 2006 constitutes another supplement to Bulletin No. 16 of 1995. These Bulletins are available on the State Tax Commission website, www.michigan.gov/statetaxcommission.

Bulletin 5 of 2013 addresses P.A. 497 of 2012 regarding transfers to individuals related by affinity or blood.

STC Memorandum issued June 9, 2011 addresses issue related to the Supreme Court decision in the Klooster Case.

**Why is a transfer of ownership significant with regard to property taxes?**

In accordance with the Michigan Constitution as amended by Michigan statutes, a transfer of ownership causes the taxable value of the transferred property to be uncapped in the calendar year following the year of the transfer of ownership.

**What is meant by "taxable value"?**

Taxable value is the value used to calculate the property taxes for a property. In general, the taxable value multiplied by the appropriate millage rate yields the property taxes for a property.

**What is meant by "taxable value uncapping"?**

Except for additions and losses to a property, annual increases in the property's taxable value are limited to 1.05 or the inflation rate, whichever is less. In the year following a statutory transfer of ownership, that limitation is eliminated and the property's taxable value is set at 50% of the property's true cash value (i.e., the state equalized value). This is what is meant by "taxable value uncapping". See MCL 211.27a(3).

*Note: A property's true cash value is usually not the same as its sale price for a variety of reasons. An assessor must determine the true cash value of a property which has sold in the same manner that the assessor determines the true cash values of properties which have not sold.* ***Therefore, an assessor may not automatically set an assessed value or a taxable value at half of a property's selling price.*** *See State Tax Commission Bulletin No. 19 of 1997 and State Tax Commission Memorandum dated October 25, 2005 that describes the illegal and unconstitutional practice of "following sales."*

**Can an assessor disregard a statutory transfer of ownership (i.e., can an assessor decide not to uncap a property's taxable value in the year following a transfer of ownership)?**

No. By statute an assessor must uncap a property's taxable value in the year following the transfer of ownership of that property. The assessor shall set the property's taxable value for the calendar year following the year of the transfer of ownership as the property's state equalized valuation for the calendar year following the transfer. *See MCL 211.27a(3).*

## Transfer of Ownership Definitions

**What is a transfer of ownership?**

Central to the concept of transfer of ownership is a **change in the beneficial use** of the property. Michigan statute defines "transfer of ownership" generally as the conveyance of title to or a present interest in property, including the beneficial use of the property, the value of which is substantially equal to the value of the fee interest. Michigan Complied Laws (MCL) 211.27a(6)(a-j) provides a variety of examples of what constitutes a transfer of ownership for taxable value uncapping purposes. If a transfer of property (or ownership interest) meets one of these definitions and does not fall under one of the exceptions or exemptions noted in the law, that transfer is a transfer of ownership. Transfer of ownership definitions and transfer of ownership exceptions are contained in MCL 211.27a.(6)(a)-(j) (*See appendix*). Transfer of ownership exemptions are contained in MCL 211.27a(7)(a)-(s). (*See appendix*)

### Deeds and Land Contracts

**Is a conveyance of a property by deed a transfer of ownership?**

A transfer of property by deed is a transfer of ownership. *See MCL 211.27a(6)(a).*

**Is a sale by land contract a transfer of ownership?**

A transfer of property by land contract is a transfer of ownership. *See MCL 211.27a(6)(b).*

**If a property is sold by land contract, when does the transfer of ownership occur?**

The transfer of ownership occurs on the date the land contract is entered into—not the date the land contract is recorded, nor the date the land contract is completed (paid in full) and not the

date a deed conveying title to the property is recorded in the office of the register of deeds in the county in which the property is located.

**Does a second transfer of ownership occur when a land contract is paid in full and a deed in fulfillment of the land contract is given?**

No. The law specifically states that a property's taxable value is not to be uncapped when a deed conveying title to the property is subsequently recorded with the register of deeds.

**Is the assignment of a seller's interest in a land contract a transfer of ownership?**

No, this is considered a transfer of a security interest and is exempt by law from being a transfer of ownership.

**Is the assignment of a buyer's interest in a land contract a transfer of ownership?**

Yes, the assignment of a land contract buyer's interest in a property conveys equitable title to the property and a change in the beneficial use of the property occurs resulting in a transfer of ownership.

**Trusts**

**Is a conveyance of property to a trust a transfer of ownership?**

Yes. However, if the grantor stated on the deed is the settlor (creator) of the trust or the settlor's spouse or both **and** the sole present beneficiary of the trust is the settlor of the trust or the settlor's spouse or both, the conveyance is not a transfer of ownership. *See MCL 211.27a(6)(c).*

**What or who is a present beneficiary of a trust?**

A present beneficiary of a trust is the person who has the enjoyment and beneficial use of the property during the life of the trust.

**What or who is a trustee of a trust?**

A trustee of a trust is the person or agent who is appointed to administer the trust. Note that banks are often trustees.

**Is the trustee (or successor trustee) of a trust the same as the beneficiary of that trust?**

Not necessarily. The trustee (or successor trustee) of a trust can be, and often is, a completely different individual than the trust's beneficiary. The beneficiary of a trust is best determined from an examination of the trust instrument.

**Is a transfer of property by a husband and wife to a trust with the husband and wife and their child as present beneficiaries a transfer of ownership?**

Yes. The child is a present beneficiary and is not the settlor of the trust or the settlor's spouse.

**Is a transfer of property by a husband and wife to a trust with the husband and wife as present beneficiaries and their child as a contingent beneficiary a transfer of ownership?**

No. The child is not a present beneficiary. The only present beneficiaries are the settlor of the trust and the settlor's spouse. The husband and wife are the sole present beneficiaries and fall within the exception outlined at MCL 211.27a(6)(c).

**What or who is a contingent beneficiary of a trust?**

A contingent beneficiary of a trust is a person who does not currently have the enjoyment and beneficial use of the property held in trust. The trust document names the contingent event, such as, the beneficiary's attaining a certain age, or death of the settlor. If and when the contingent event occurs, the contingent beneficiary changes status to present beneficiary, and gains *beneficial use* of the property held in trust.

**Is a conveyance of property which constitutes a distribution from a trust a transfer of ownership?**

Yes. However, a conveyance of property which is a distribution from a trust is not a transfer of ownership if the distributee is also the sole present beneficiary of the trust or the spouse of the sole present beneficiary or both. *See MCL 211.27a(6)(d).*

*Note: Not all transfers of property from trusts are distributions from the trusts. A transfer of property from a trust to someone other than a beneficiary (or contingent beneficiary) of that trust is* ***not*** *a distribution from that trust. It is simply a transfer of property from a legal entity (the trust) to a person and the transfer should be considered in that context.*

**What happens if the sole present beneficiary of a trust changes?**

A change in the sole present beneficiary of a trust is a transfer of ownership, unless the change merely adds or substitutes the spouse of the sole present beneficiary (and provided that no statutory exception or exemption applies). *See MCL 211.27a(6)(e).*

**Is a conveyance of property to a trust a transfer of ownership if: The grantor is the settlor (creator) of the trust or the settlor's spouse or both. The sole present beneficiary of the trust is the settlor of the trust or the settlor's spouse or both.**

No. If the grantor stated on the deed is the settlor (creator) of the trust or the settlor's spouse or both **and** the sole present beneficiary of the trust is the settlor of the trust or the settlor's spouse or both, the conveyance is not a transfer of ownership. *See MCL 211.27a(7)(f).*

## Distributions Under Wills or By Courts

**Is a conveyance of a deceased person's property as directed by a will or as directed by a court (when there is no will) a transfer of ownership?**

Yes. Subject to any probate administration that may occur if real property assets are needed to satisfy debts of the decedent's estate, title to a decedent's real property generally passes at the time of his or her death to any devisees or heirs. However, if the person receiving the property is the deceased person's spouse, the conveyance is not a transfer of ownership. *See MCL 211.27a(6)(f).*

*Note: An exemption from an uncapping exists for judgments or orders of a court of record (without specific monetary consideration for the transfer) are not a transfer of ownership. However, the transfer of ownership definition regarding distributions under a will or by intestate succession is considered more specific than—**and therefore overrides**—this transfer of ownership exemption (even though both statutory provisions may apply).*

**In the case of a distribution of a property under a will or by a court, when does the transfer of ownership (if any) occur? (Does the transfer of ownership occur upon the death of the individual involved, upon the distribution of the property, or at some other time?)**

The transfer of ownership, if any, typically occurs when the property is probated and conveys the decedent's title to real property as of the time of death, whether by will or by intestate succession. However, it is possible for a significant amount of time to pass between an individual's death and the distribution of that person's property under a will or by a probate court. If the distribution process has not proceeded in a typically timely manner and after a person's death but before the distribution of that person's property, the person's heir exercises dominion over the property, a transfer of ownership to the heir is considered to have occurred when dominion was first exercised by the heir.

Dominion in this context means control or beneficial use of a property, including occupancy, receipt of rents, etc. The relevant considerations when there is a delay in distribution of the decedent's estate are whether the distribution process has advanced in a typically timely manner and whether/when the heir had dominion over the property. Additional information regarding the progression of the probate estate may best be obtained by reviewing the probate court files.

## Leases

**Can the execution of a lease be a transfer of ownership?**

Yes. A lease of real property, entered into after December 31, 1994, is a transfer of ownership if one or both of the following conditions exists:

1. The lease term exceeds 35 years, including all options to renew the lease. OR

2. The lessee has a bargain purchase option. A bargain purchase option is defined by law as the right to purchase the leased property at the end of the lease for 80 percent or less of what the property's projected true cash value at the end of the lease. Even if the lease agreement qualifies as a "transfer of ownership" under MCL 211.27a(6)(g), the lessee is still required to follow the notification requirements under 211.27a(10), which states the transferee must notify the assessing officer on the proscribed form within 45 days of the transfer of ownership, to qualify as a transfer of ownership by the taxing unit. (Walgreen's Co. v. Macomb Twp. (2008) 760 N. W.2d 594, 280 Mich. App. 58).

**Can the leasing of personal property be considered a transfer of ownership?**

Generally, no. However, the leasing of personal property that a leasehold improvement, or a leasehold estate can be a transfer of ownership.

**When a lease is initiated covering only a portion of a real property parcel, and the lease is for more than 35 years (or contains a bargain purchase option), does a transfer of ownership occur?**

Yes. However, only the taxable value for that part of the property subject to the lease is uncapped in the year following the transfer of ownership. In other words, a partial uncapping of the parcel's taxable value occurs.

**If a lessee assigns the lessee's interest in a lease which had an original term of more than 35 years and which has a remaining term of more than 35 years at the time of the lease assignment, does a transfer of ownership occur?**

Yes, this is a conveyance by lease of a property with a lease term of more than 35 years and is a transfer of ownership.

**If a lessee assigns the lessee's interest in a lease which had an original term of more than 35 years and which has a remaining term of 35 years or less at the time of the lease assignment, does a transfer of ownership occur?**

No, since the remaining term of the lease is not more than 35 years.

**<u>Ownership Changes of Legal Entities (Corporations, Partnerships, Limited Liability Companies, etc.)</u>**

**Can the conveyance of an ownership interest of a legal entity (such as a corporation, a partnership, etc.) which owns property be a transfer of ownership—even though title to the property remains unchanged?**

Yes, a conveyance of an ownership interest in a legal entity (such as a corporation, a partnership, etc.) which owns property is a transfer of ownership of that property provided that the ownership interest conveyed is more than 50 percent of the total ownership interest. *See MCL*

*211.27a(6)(h).* However, this is not applicable to cooperative housing corporations (discussed separately).

**A limited liability company owns real property and conveys of 25.0 percent of the ownership interest in 2011. In January of 2012, a conveyance of 25.1 percent of the ownership interest of the limited liability company occurred. Did a transfer of ownership of the real property occur? If so, when?**

A transfer of ownership of the property owned by the limited liability company occurred in January of 2012 since at that point; more than 50.0 percent of the ownership interest in the limited liability company had been conveyed. The property's taxable value is to be 100% uncapped for 2013.

**As of January of 2011, 50.1 percent of the ownership interest of a limited liability company was been conveyed and the taxable value of the property was uncapped for 2012. If, in March of 2013, 50.0 percent of the ownership interest in the limited liability company is conveyed, does another transfer of ownership occur?**

No. The percentage of ownership interest conveyed is cumulative from the date of the last transfer of ownership. Between January of 2011 and March of 2013, not more than 50.0 percent of the ownership interest is conveyed. Therefore, no transfer of ownership occurs as of March of 2013.

**Company A owns all the membership interest in a limited liability company. The limited liability company owns a piece of real property. In 2011, Company A sells and conveys its ownership interest in the limited liability company to Company B. Did a transfer of ownership of the property occur?**

A transfer occurred when Company A sold and transferred its membership interest in the limited liability company to Company B. Therefore, the property's taxable value shall be uncapped for 2012. *See Signature Villas, L.L.C. v. City of Ann Arbor, 269 Mich. App 694, 714 NW2d 392 (2006).*

## Tenancies in Common

**What is a tenancy in common?**

A tenancy in common is a form of property co-ownership in which two or more persons own the property with no right of survivorship between them. When one tenant in common dies, her interest passes to her heirs or devisees. In this type of shared ownership arrangement title does **not** automatically to the surviving tenant(s) in common.

**Does a tenancy in common require that the tenants in common have equal ownership shares of the property involved?**

No. A tenancy in common does not require equal shares. A different, unequal percentage of ownership interest may be established for each tenant in common under a tenancy in common.

**Is a conveyance of an ownership interest of property held as a tenancy in common a transfer of ownership?**

Yes. However, the transfer of ownership is only for that portion of the property ownership which is conveyed; meaning a partial uncapping of the property's taxable value in the year following the transfer of ownership is possible with tenancies in common. *See MCL 211.27a(6)(i).*

Example: Individuals A, B, and C owned a property as tenants in common. Individual A had a 50 percent undivided interest in the property and individuals B and C each had a 25 percent undivided interest. In 2012, individual A conveyed his/her interest to individual B (and this conveyance was a transfer of ownership). Under these circumstances, a partial, 50% uncapping of the property's taxable value occurs for 2013.

**How is a tenancy in common established?**

A tenancy in common is generally established by means of a deed or land contract conveyance. The language relating to the grantees of the deed or land contract establishes the tenancy in common.

Examples: If John Doe conveys property to John Doe and Jim Smith "as tenants in common" a tenancy in common is created and Mr. Doe and Mr. Smith are the tenants in common. Likewise, if John Doe conveys property to John Doe and Jim Smith and no language is provided regarding the nature of their ownership, a tenancy in common is created between Mr. Doe and Mr. Smith.

If a property is conveyed to a man and a woman and no information is provided regarding the nature of their ownership, a tenancy in common is formed, unless the man and the woman are married at that time, in which case a tenancy by the entireties is created.

**How can the percentages of undivided ownership interest of the tenants in common be determined?**

Often the deed or land contract establishing the tenancy in common will specify the percentages of undivided ownership interest of the tenants in common. In the absence of language on the deed or land contract specifying the percentages of ownership interest of the tenants in common, assessors are advised that it is presumed to be divided equally between the owners unless evidence to the contrary is presented by the grantor.

## Cooperative Housing Corporations

**What is a cooperative housing corporation?**

A cooperative housing corporation is a type of property ownership in which the corporation holds title to a housing complex and individual stock holders in the corporation have the right to occupy an individual dwelling in that housing complex.

**Is a conveyance of an ownership interest in a cooperative housing corporation a transfer of ownership?**

Yes. However, the taxable value of that portion of the property not subject to the ownership interest conveyed is not uncapped in the year following the conveyance. In other words, a partial taxable value uncapping can occur for a cooperative housing corporation. *See MCL 211.27a(6)(j).*

Note: The law states that a transfer of ownership occurs when more than 50 percent of the ownership interest of a corporation changes. Beginning in 1997, this law was no longer applicable to cooperative housing corporations.

**What happens if a cooperative housing corporation, during 2012, conveys 15 out of 100 shares of stock?**

A transfer of ownership occurs. Since 15 of 100 shares transferred in 2012, 15 percent of the taxable value of the cooperative housing corporation is to be uncapped for 2013.

# Transfer of Ownership Exemptions

**What is a transfer of ownership exemption?**

Michigan law specifies that certain transfers of property and ownership interests are not transfers of ownership for taxable value uncapping purposes. These types of transfers are known as exempt transfers and the statutes that provide for these exempt transfers are known as transfer of ownership exemptions. Transfer of ownership exemptions are contained in MCL 211.27a.(7)(a)-(s).

It is a solidly established principal that property tax "exemption statutes are to be **strictly construed** in favor of the taxing unit and against the exemption claimant." Association of Little Friends, Inc. v City of Escanaba, 138 Mich. App 302; 362 NW2d 602 (1984); Town & Country Dodge Inc. v Department of Treasury, 420 Mich. 226; 362 NW2d 618 (1984); Inter Co-op Council v Tax Tribunal Dept. of Treasury, 257 Mich. App 219; 668 NW2d 181 (2003).

It is also well established that a person or entity seeking a property tax exemption must demonstrate entitlement to the exemption by a preponderance of the evidence and that a property tax exemption cannot be inferred or implied. *Holland Home v City of Grand Rapids*, 219 Mich.

App 384, 394; 557 NW2d 118 (1996); *Michigan United Conservation Clubs v Lansing Township*, 129 Mich. App 1, 11 (1983).

Since a transfer of ownership exemption is simply a form of property tax exemption, it is the opinion of the State Tax Commission that the principals which apply to general property tax exemptions also apply to transfer of ownership exemptions. Therefore, transfer of ownership exemption statutes must be strictly interpreted against the person or entity claiming the exemption and in favor of the local taxing unit. Assessors **must not** infer a transfer of ownership exemption or grant a transfer of ownership exemption based on implication.

## Spouses

**Is a transfer of property from one spouse to the other spouse a transfer of ownership?**

No, generally a transfer of property from one spouse to another spouse is not a transfer of ownership. *See MCL 211.27a(7)(a) and MCL 211.27a(7)(s).*

**Is a transfer of property from a deceased spouse to a surviving spouse a transfer of ownership?** *See MCL 211.27a(7)(a).*

As a general rule, a transfer of property from a deceased spouse to a surviving spouse is not a transfer of ownership.

**Is a transfer of property between former (divorced) spouses a transfer of ownership?**

Yes. No transfer of ownership exemption exists for property transfers between divorced spouses. However, oftentimes recently divorced spouses must convey property to one another as part of the divorce proceedings and these transfers of property may be exempt transfers if the conveyances are solely to terminate a tenancy by the entireties (covered later in this publication).

**Is a transfer of property from one spouse to a limited liability company with the other spouse as the only member of the limited liability company a transfer of ownership?**

Yes. Even though the second spouse completely controls the limited liability company, the limited liability company is not the second spouse. A limited liability company is a separate and distinct legal entity, different from a person. Therefore, such a situation is not a transfer between spouses and is a transfer of ownership applies.

## Children and Other Relatives

**Is a transfer of property from a parent to a child a transfer of ownership?**

Beginning with transfers occurring on and after December 31, 2013 only, no but only for property classified residential real and if the use of the real property does not change following the transfer of ownership.

**Does this include adopted children?**

Yes, P.A. 497 of 2012 indicated that beginning December 31, 2013, a transfer of residential real property is not a transfer of ownership if the transferee is related to the transferor by blood or affinity to the first degree and the use of the property does not change following the transfer of ownership. *See MCL 211.27a(7)(s).*

**Does this include relatives other than those related by blood?**

Affinity to the first degree includes the following relationships: spouse, father or mother, father or mother of the spouse, son or daughter, including adopted children and son or daughter of the spouse.

**When does this provision go into effect?**

P.A. 497 of 2012 indicates that this provision is effective beginning December 31, 2013. Therefore, it is in effect only for transfers that occur on December 31, 2013 and after.

**John and Jane Doe transfer their residential real property to their daughter Judy on December 1, 2013. Is this a transfer of ownership?**

Yes, as long as no other exemption provisions apply.

**John and Jane Doe transfer their residential real property to their daughter Judy on January 15, 2014. Is this a transfer of ownership?**

No, as long as Judy maintains the same use of the property. MCL 211.7a(7)(s).

**John and Jane Doe transfer their residential real property to their son Jack on March 1, 2014. Jack decides he wants to turn the house into a vacation rental home. Is this a transfer of ownership?**

Yes, as long as no other exemption provisions apply because Jack has not maintained the use of the property.

**Tenancies by the Entireties**

**What is a tenancy by the entireties and how are they established?**

A tenancy by the entireties is a form of concurrent ownership that can be created only between a husband and wife, holding as one person. When the husband or wife dies, the surviving spouse automatically becomes the sole owner of the property. In a tenancy by the entireties, neither the husband nor the wife may sell the property unless the other consents to the sale. Tenancies by entireties enjoy the same rights of survivorship as joint tenancy.

A tenancy by the entireties is established by means of a deed or land contract conveyance. The language relating to the grantees on the deed or land contract establishes the tenancy by the entireties.

Example: If John Doe conveys property to John Doe and Jane Doe "his wife", a tenancy by the entireties is created. Likewise, if Jane Doe conveys property to John Doe and Jane Doe "husband and wife" or "as tenants by the entireties", a tenancy by the entireties is created. Similarly, if John Doe conveys property to John Doe and Jane Doe and no language is provided regarding the nature of their ownership, a tenancy by the entireties is formed—provided that John Doe and Jane Doe are, in fact, husband and wife.

**Is a property conveyance completed solely to create or end a tenancy by the entireties a transfer of ownership?**

No. A transfer from a husband, a wife, or both whose sole purpose is to create or disjoin (terminate) a tenancy by the entireties is not a transfer of ownership. *See MCL 211.27a(7)(b)*.

**John Doe and Jane Doe are married. They acquire property from a third party, creating a tenancy by the entireties. Is this acquisition of property a transfer of ownership?**

Yes. Although a tenancy by the entireties is created by the Does when they acquire the property, the creation of the tenancy by the entireties is not the sole purpose of the transaction (the main purpose of the transaction is for the Does to acquire the property) and a transfer of ownership occurs.

**John Doe and Jane Doe were married and owned property as husband and wife. They divorce and (directly associated with the divorce) they deed the property from themselves as husband and wife to Jane Doe, a single woman. Is this conveyance a transfer of ownership?**

No, since its purpose was solely to terminate the tenancy by the entireties.

**John Doe owns a parcel and then marries Jane Smith who decides to take the surname "Doe". John Doe then conveys the parcel to John Doe and Jane Doe, as husband and wife. Is this conveyance a transfer of ownership?**

No, since its purpose is solely to create a tenancy by the entireties in the Does.

**John Doe and Jane Doe are married and own a property as husband and wife. They sell the property to a third party. Is this sale a transfer of ownership?**

Yes, the purpose of the conveyance is to sell the property and not solely to end the tenancy by the entireties.

**If a divorce occurs in a tenancy by the entireties situation, does the form of ownership change?**

Yes. If two people own property as husband and wife, become divorced, and continue to own the property, the form of ownership is converted to a tenancy in common. A conveyance from a former spouse to a former spouse is considered a transfer of ownership.

Example: John Doe and Jane Doe owned a lakefront cottage property as husband and wife. They divorce, but both John Doe and Jane Doe continued to own the lakefront cottage property for several years. The nature of their ownership was changed from a tenancy by the entireties to a tenancy in common by the fact of their divorce. Under these circumstances, a transfer of John Doe's undivided (tenant in common) interest to Jane Doe would be a transfer of ownership and a partial uncapping of the lakefront cottage property's taxable value would result.

**If a man and woman who are not married own property and subsequently become married, is the nature of their ownership of the property automatically converted to a tenancy by the entireties?**

No. Based on court decisions and the Michigan Land Title Standard, a tenancy by the entireties cannot be created by a conveyance to two people who later marry. *See William v Dean, 365 Mich. 426; 97 NW2d 42 (1959).*

## Life Leases/Life Estates

**What is a life lease?**

A life lease generally occurs when an owner transfers ownership of his/her property to someone else but keeps the right to use, occupy, and control the property during his/her lifetime. A life lease must be in writing.

**What is a life estate?**

A life estate is an estate that has the potential duration of one or more human lives. The usual life estate is measured by the grantee's life. Where the estate is measured by the life of someone other than the owner of the life estate, it is classified as a life estate pur autre vie. For taxable value uncapping purposes, a life estate is treated the same as a life lease. A life estate must also be in writing.

**Is a conveyance of a property with the grantor retaining a life lease a transfer of ownership?**

Generally, a conveyance of a property subject to a life lease retained by the grantor is not a transfer of ownership. However, this transfer of ownership exemption only applies to that portion of the property conveyed that is subject to the life lease. Any portion of the property conveyed that is not subject to the life lease does experience a transfer of ownership upon the

conveyance of the property. A partial uncapping can, therefore, occur with conveyances involving life leases. *See MCL 211.27a(7)(c).*

**In 2012 Jane Doe conveys her residential property to her neighbor, John Smith, retaining a life estate on the entire parcel. Is this a transfer of ownership?**

No. A life estate was retained by the grantor, Jane Doe, and this life estate covers the entire property.

**In 2011 Jane Doe conveys her residential property to her neighbor, John Smith, retaining a life estate on the entire parcel. In 2012, Jane Doe dies. Does the death of Jane Doe result in a transfer of ownership?**

Yes. A transfer of ownership occurs upon the death of Jane Doe since her death terminated the life estate. The taxable value of the property must be uncapped for the 2013 tax year.

**In 2011 Jane Doe conveys her residential property to her son, John Doe, retaining a life estate on the entire parcel. In 2014, Jane Doe dies, does the death of Jane Doe result in a transfer of ownership?**

No. A transfer of ownership does not occur because the transfer is after December 31, 2013 and is a transfer of residential real property between Jane Doe and John Doe who are related by blood in the first degree and the use of the residential real property has not changed following the transfer. See MCL 211.27a(7)(s).

**In 1983 Jane Doe conveyed her residential property to her neighbor, John Smith, retaining a life estate on the entire parcel. In 2011 Jane Doe dies. Does the death of Jane Doe result in a transfer of ownership?**

Yes. A transfer of ownership occurs upon the death of Jane Doe since her death terminated the life estate. The fact that the life estate was established prior to Proposal A is not relevant. Beneficial use and full ownership of the property changed to Jane Doe's neighbor upon her death. The taxable value of the property must be uncapped for the 2012 tax year.

**In 2011 Jane Doe conveys 80 acres to her neighbor, John Smith, retaining a life estate on 2 of the 80 acres and a house located on the 2 acres. Is this conveyance a transfer of ownership?**

Yes and no. A transfer of ownership occurs with regard to the 78 acres which are not subject to the life estate. No transfer of ownership occurs, however, with regard to the 2 acres and the house which are subject to the life estate (until termination of the life estate). Therefore, a partial transfer of ownership occurs and a partial uncapping must occur for tax year 2012.

**John and Sandy Smith own property and grant John Smith's best friend, Sam Doe, a life estate for this property. Is the conveyance of the life estate to John Smith's best friend a transfer of ownership?**

Yes. In this case, the life estate was not retained by the grantors as required by the law. Beneficial use of the property changed from John and Sandy Smith to John Smith's best friend and a transfer of ownership occurred.

**Can an individual who has retained a life estate convey that life estate to someone else?**

Yes. All privileges granted by the life estate will transfer to the new holder of the life estate. **This is not a transfer of ownership.** The life estate remains in effect until mutually terminated by the owner of the property and the new life estate holder or until the death of the individual who had originally retained the life estate—**not** the death of the new life estate holder. The life estate would come to an end when the measuring life ends.

**Can a life estate be retained for other than residential purposes? If so, does a life estate retained by the grantor for other than residential purposes result in a taxable value uncapping?**

A life estate can be retained for a specific purpose other than a residential purpose. The types of specific purposes (other than residential purposes) are almost limitless. A life estate retained by the grantor for other than residential purposes does not result in a taxable value uncapping for the portion of the property covered by the life estate, until termination of the life estate—or until use of the property for the stated purpose of the life estate is not possible. Any portion of the property not covered by the life estate is subject to taxable value uncapping.

If circumstances preclude the possible use of a property for the purpose of a life estate (whatever that may be), the life estate is to be disregarded by a local assessor when considering transfer of ownership issues—even though the life estate may legally be in effect.

Example: John Doe conveys an unimproved 80 acre parcel in the northern Lower Peninsula to his son, Joe and retains a life estate over half of the parcel for the stated purpose of grazing cattle. Under these circumstances, a partial transfer of ownership occurs upon the conveyance, with the taxable value of the portion of the property covered by the life estate remaining capped and the taxable value of the portion of the property not subject to the life estate being uncapped (provided no statutory exception or exemption applies). This is the same treatment the property would receive if the life estate were for residential purposes. If two years later the son, Joe Doe, constructs a convenience store on 2 acres of the 40 acres covered by the life estate, a transfer of ownership occurs for those 2 acres (provided no statutory exception or exemption applies). The reason for this is that the construction of the convenience store precludes the use of that portion of the property by the father, John Doe, for grazing cattle (the specified purpose of the life estate). Therefore, the life estate no longer applies to this portion of the property with regard to transfer of ownership issues (even though it may still legally be in effect) and another partial transfer of ownership occurs.

## Foreclosures and Forfeitures

**Is a transfer of property due to a foreclosure or forfeiture a transfer of ownership?**

Generally, no. It is not a transfer of ownership when a financial institution or a land contract seller takes a property back through foreclosure or forfeiture of a recorded mortgage or land contract. *See MCL 211.27a(7)(d)*. This response applies to foreclosures of mortgages and land contracts through circuit court proceedings, the foreclosure of mortgages by advertisement, and the forfeiture of property by summary proceedings.

A Sheriff's Deed is utilized in foreclosure by advertisement and will be recorded with the register of deeds. A redemption affidavit will also be recorded with the register of deeds and will contain information regarding the redemption period and rights should the homeowner redeem and recover his/her rights to the property. During the redemption period, the purchaser holds equitable title to the property but the original homeowner continues to have legal title and possession. Consequently, should the homeowner redeem the property during the redemption period this would not be considered a transfer of ownership.

**Is a transfer of property through a deed or a conveyance in lieu of foreclosure or forfeiture a transfer of ownership?**

No. Such transfers and conveyances are to be treated in the same way as a foreclosure or forfeiture.

**When the entity or person (bank, land contract seller, etc.) that has taken a property back through foreclosure or forfeiture later transfers the property, is that transfer a transfer of ownership?**

Yes.

**Is there a time limit that a mortgagee (usually a bank) can hold a property, after acquiring it through foreclosure, without a transfer ownership occurring?**

Yes. If a mortgagee which has received a property through foreclosure does not transfer or convey the property within one year of the expiration of the redemption period, the taxable value of the property must be uncapped for the following assessment year.

The redemption period is the period during which the former owner may pay the debt due and reclaim the property and is established by statute. The redemption period varies in length and can range from one month to one year, but is usually six months.

The one-year time limit discussed does not apply to a land contract seller who has reacquired property due to a foreclosure or forfeiture. A land contract seller who has reacquired property through foreclosure or forfeiture may hold the property indefinitely without a transfer of ownership occurring.

**A property was sold on land contract in 2010. This sale was a transfer of ownership and the property's taxable value was uncapped for tax year 2011. In 2012 the land contract seller takes the property back through foreclosure or forfeiture, because the land contract buyer defaulted on the land contract payments. Should the taxable value for 2011 and subsequent years be recapped as if the 2010 transfer of ownership never occurred?**

No. The 2010 transfer of property was a transfer of ownership. At that point, beneficial use of the property transferred to the land contract buyer and the land contract buyer acquired equitable title to the property. It should also be noted that the equitable title held by the land contract buyer could have been mortgaged or conveyed to someone else (subject to valid terms of the land contract). This transfer of ownership is not undone when the land contract seller takes the property back. No statutory authority exists to allow the recapping to be performed. The uncapped taxable value must remain in place for 2011 and the 2011 taxable value must be used as the base for subsequent taxable value determinations.

## Redemptions of Tax-Reverted Properties

Public Act 123 of 1999 significantly altered the property tax reversion process and establishes a three-year tax-reversion process. Annual tax-lien sales were eliminated in favor of an annual forfeiture and judicial foreclosure process. Due process and notification procedures were significantly strengthened and changes were made to expedite the handling of abandoned tax-reverted properties.

**What are tax-reverted properties?**

Tax-reverted properties are properties with property taxes which have not been timely paid and therefore the property owner no longer has clear title to the property.

**What is meant by "redemption"?**

Redemption occurs when the owner of a tax-reverted property buys back (redeems) the tax-reverted property by paying appropriate delinquent taxes and related fees.

**If the original owner redeems the tax-reverted property, has a transfer of ownership occurred?**

No. *See MCL 211.27a(7)(e).*

Example: Taxes have not been paid on a property for two years, delinquent tax notices have been sent to taxpayer, and a judicial foreclosure hearing for delinquent taxes is schedule to be held on the last day of March. Prior to the last day in March, the owner then redeems (pays the needed sum to clear the tax lien) within the redemption period. The lien is removed from the property. Transfer by redemption by the owner is not a transfer of ownership.

## Trusts

**Is a conveyance of property to a trust a transfer of ownership when:**
**(1) The grantor is the settlor (creator) of the trust or the settlor's spouse or both.**
**(2) The sole present beneficiary of the trust is the settlor of the trust or the settlor's spouse or both.**

No. If the grantor stated on the deed is the settlor (creator) of the trust or the settlor's spouse or both **and** the sole present beneficiary of the trust is the settlor of the trust or the settlor's spouse or both, the conveyance is not a transfer of ownership. *See MCL 211.27a(7)(f).*

*Note: See also the information regarding trusts contained in this publication.*

## Court Orders

**Is a transfer of property made due to an order of a court of record a transfer of ownership?**

No, a transfer of property pursuant to a judgment or order of a court of record (any court which has been designated as a court by the legislature is a court of record) making or ordering the transfer is not a transfer of ownership—provided that no money is specified or ordered by the court for the transfer. If a specific amount of money is noted in the order or judgment for the transfer, a transfer of ownership occurs. *See MCL 211.27a(7)(g).*

**If, as part of divorce proceedings, a court of record orders that a husband must pay his wife $25,000 (or any other specific sum) for a property owned by them as husband and wife, would this be a transfer of ownership?**

Generally, no. Even though the court order specifies an amount for the transfer, this is generally not a transfer of ownership since the purpose of the transfer is to undo a tenancy by the entireties (see also information under tenancies by the entireties contained in this publication). The section of law dealing with court ordered transfers of property does not apply to this transfer, but the tenancy by the entireties transfer of ownership exemption does. Therefore, the transfer is not a transfer of ownership.

## Joint Tenancies

**What is a joint tenancy?**

A joint tenancy is a form of concurrent ownership wherein each co-tenant owns an undivided share of property and the surviving co-tenant has the right to the whole estate. On the death of each joint tenant, the property belongs to the surviving joint tenants, until only one individual is left.

Example: Five people own a property as joint tenants. Each joint tenant has a 20 percent interest in the property (100/5 = 20). If one of the five dies, his/her interest is divided equally

among the remaining four joint tenants, giving each of the remaining four a 25 percent interest in the property.

**Does a joint tenancy require that the joint tenants have equal ownership interests in the property involved?**

Yes. A joint tenancy requires that the joint tenants have equal ownership interests.

**How is a joint tenancy formed?**

A joint tenancy is formed by means of a deed or land contract conveyance with an express declaration of the joint tenancy. The language relating to the grantees on the deed or land contract establishes the joint tenancy.

**When is there a transfer of ownership involved in a joint tenancy situation?**

On March 10, 2011, the Michigan Supreme Court issued a decision in the case of *Klooster v City of Charlevoix,* Michigan Supreme Court Docket No. 140423 (2011), regarding the interpretation of MCL 211.27a(7)(h) and specifically which conveyances involving a joint tenancy are or are not transfers of ownership.

James Klooster, the father, quit-claimed his property to himself and to his son, Nathan as joint tenants with rights of survivorship, on August 11, 2004. James died on January 11, 2005, leaving Nathan as the sole owner. On September 10, 2005, Nathan quit-claimed the property to himself and his brother, Charles, as joint tenants with rights of survivorship. The assessor uncapped the taxable value for the 2006 assessment year. The taxpayer appealed and the Tax Tribunal ruled that the taxable value should have uncapped for the 2006 assessment year because Nathan was not an "original owner," or an already existing joint tenant before the August 11, 2004 joint tenancy was created.

The Michigan Court of Appeals reversed the Tax Tribunal. The Court found the property should not have uncapped because the death of a joint tenant does not constitute a transfer of ownership, even if the joint tenant who dies was the sole original owner. The Court concluded that a "conveyance" within the meaning of MCL 211.27a(7)(h) could not occur unless there was a transfer of title by a written instrument.

The Michigan Supreme Court reversed the Michigan Court of Appeals decision. The Supreme Court found that the death of the only other joint tenant is a conveyance under the GPTA and does not require a written instrument beyond the deed initially creating the joint tenancy. The Court also determined that MCL 211.27a(7)(h) establishes requirements for an exception from the definition of transfer of ownership in three separate and distinct types of conveyances: termination of a joint tenancy, creation of a joint tenancy where the property was not previously held in joint tenancy or the creation of a successive joint tenancy.

**Definitions:**

Joint Tenancy: A joint tenancy is a form of concurrent ownership wherein each co-tenant owns an undivided share of property and the surviving co-tenant has the right to the whole estate. On the death of each joint tenant, the property belongs to the surviving joint tenants, until only one individual is left.

Initial Joint Tenant: A person whose interest in the property was obtained because he or she was one of the joint tenants who became a co-owner as a result of the "initial" joint tenancy **and** who has continuously held an interest in the property as a co-owner in joint tenancy since the creation of the "initial" joint tenancy.[1]

Original Owner: A sole owner at the time of the last uncapping event; a joint owner at the time of the last uncapping event; or, the spouse of the either a sole or joint owner of the property at the time of the last uncapping event.

**How to Determine if a Property Should Uncap:**

**Step 1: Identify the "Conveyance at Issue"**

The first step is to determine if the "conveyance at issue" is the creation of an *"initial"* joint tenancy, the creation of a *"successive"* joint tenancy or the *"termination"* of a joint tenancy. The determination of whether a "conveyance at issue" is a transfer of ownership that uncaps the taxable value of the property must be separately determined *after* identification of the "conveyance at issue." A conveyance will not constitute a transfer of ownership under the General Property Tax Act if it is excluded under MCL 211.27a(7)(a) through (q).

**Step 2: Determine if the Conveyance is the Creation of a Joint Tenancy**

The creation of an "initial" joint tenancy occurs when a property held by a sole owner, by a husband and wife holding as tenants by the entirety, or by tenants in common, is conveyed to two or more persons as joint tenants.

If the person creating the joint tenancy held title to the interest being conveyed either as a sole owner, as husband and wife, tenants by the entirety, or as tenants in common, then the creation of a joint tenancy is not a transfer of ownership, if, at least one of the persons conveying the interest **and** one of the persons receiving the interest was an "original owner."

If you determine the conveyance meets the requirements defined above, STOP. No further review is necessary and the conveyance is not a transfer of ownership. If the conveyance does not meet both requirements defined above, move to Step 3 and/or Step 4.

[1] This phrase "initial joint tenant" is not specifically used in the Supreme Court's decision, but is helpful in explaining the decision.

**Step 3: Determine if the Conveyance "Terminates" a Joint Tenancy**

A joint tenancy terminates when there is no "successive" joint tenancy. The termination of joint tenancy **is** a transfer of ownership if the resulting owner is not an "initial joint tenant."

The termination of a joint tenancy **is not** a transfer of ownership if both of the following are true:

- At least one of the joint tenants in the joint tenancy being terminated was an "original owner" before the joint tenancy was initially created; **and**
- At least one of the joint tenants in the joint tenancy being terminated was an "initial joint tenant" and has remained a joint tenant in successive joint tenancies.

**Step 4: Determine if the "Conveyance at Issue" is the creation of a "Successive" Joint Tenancy**

A "successive" joint tenancy occurs when the conveyance is from one joint tenancy directly into another joint tenancy. The creation of a "successive" joint tenancy may, or may not, be a transfer of ownership.

The creation of a "successive" joint tenancy is **not** a transfer of ownership if both of the following are true:

- At least one of the individuals in the "successive" joint tenancy was an "original owner" **and**
- At least one of the joint tenants in the previous joint tenancy was an "initial joint tenant" and has remained a joint tenant in successive joint tenancies.

**Conclusion:**

- If a joint tenancy is created by an "original owner" and if that "original owner" or their spouse are also co-tenants in the joint tenancy, then the taxable value does not uncap.
- If a "successive" joint tenancy is created and an "original owner" or their spouse continue as co-tenants in the "successive" joint tenancy, then the taxable value does not uncap.
- If a joint tenancy is terminated by the death of an "original owner" or by the "original owner" making a conveyance, resulting in the ownership again being a sole ownership, and if that sole owner is an "initial joint tenant," then the taxable value does not uncap.
- If a joint tenancy is terminated by conveyance and the sole owner after the termination is an "initial joint tenant" then the taxable value does not uncap.

Several examples of each of the scenarios described above are listed below. The list should not be considered all inclusive. The State Tax Commission advises assessors that taxpayers are protected by a right of appeal, and therefore, when in doubt if a transfer of ownership should result in an uncapping, an assessor should consider uncapping the property.

Assessors are directed to MCL 211.27a(4) and Bulletin 9 of 2005 for the procedures to follow if they determine the taxable value has mistakenly uncapped for a past assessment year.

**Example # 1: Creation of a Joint Tenancy**

John, who was a single man at all relevant times, purchased Blackacre in 2004. In 2005, John conveyed Blackacre to himself and his son, Michael, as joint tenants, with rights of survivorship. Did the taxable value uncap in 2006?

No, there was not a transfer of ownership. Since there was a transfer of ownership which uncapped the taxable value when John purchased the property in 2004, John was an "original owner" who continued to have an interest after the creation of the joint tenancy. Michael became an "initial joint tenant" but he was not an "original owner." John's status as an "original owner" who continued to be a co-tenant as part of the "initial" joint tenancy provides an exception to uncapping. Michael's status as an "initial joint tenant" is not a factor in the analysis.

**Example # 2: Termination of a Joint Tenancy**

John, who was a single man at all relevant times, purchased Blackacre in 2004. In 2005, by quit claim deed, John conveyed to himself and his son, Michael, as joint tenants, with rights of survivorship. Several weeks later, but still in 2005, John died, leaving Michael as the sole surviving co-tenant. Did the taxable value uncap in 2006?

No, there was not a transfer of ownership. Since John had previously held title as a sole owner, the joint tenancy he created with Michael was an "initial" joint tenancy. Further, since there was a transfer of ownership which uncapped the taxable value when John purchased the property in 2004, John was an "original owner." John was an "original owner" and an "initial joint tenant" when the joint tenancy was initially created in 2005. Further, John remained a joint tenant from the creation of the "initial" joint tenancy until the joint tenancy was terminated by the death of John. Since John was an "original owner" who continued to be a co-tenant after the creation of the "initial" joint tenancy and since Michael became a joint tenant when the "initial" joint tenancy was created, and Michael's interest continued uninterrupted until the death of John, the taxable value did not uncap when John died.

**Example # 3: Termination and a Non-Successive Joint Tenancy**

John, who was a single man at all relevant times, purchased Blackacre in 2004. In 2005, by quit claim deed, John conveyed to himself and his son, Michael, as joint tenants, with rights of survivorship. Several weeks later, but still in 2005, John died, leaving Michael as the sole surviving co-tenant. Michael immediately conveyed to himself and his brother, Peter, as joint tenants, with rights of survivorship. Did the taxable value uncap in 2006?

Yes, there was a transfer of ownership when Peter was added as a joint tenant. These facts are, in substance, those in the *Klooster* case itself. Since John was an "original owner" who continuously held his interest as a co-tenant in the joint tenancy since the joint tenancy was initially created and since Michael became an "initial joint tenant" when the "initial" joint tenancy was created, the taxable value did not uncap when John died. However, when Michael, as the sole surviving co-tenant, created the joint tenancy with his brother, Peter, the creation of

the joint tenancy itself was an uncapping event for the reason that Michael was not an "original owner" at the time of the creation of the "initial" joint tenancy with Peter. The reason that Michael was not an "original owner," was that he had not acquired his ownership interest in a transaction that resulted in an uncapping of the taxable value.

**Example # 4: Successive Joint Tenancy**

John, who was a single man at all relevant times, purchased Blackacre in 2004. In 2005, by quit claim deed, John conveyed to himself and his son, Michael, as joint tenants, with rights of survivorship. In 2006, John and Michael conveyed to themselves and Michael's brother, Peter, as an additional joint tenant, thereby expanding the joint tenancy by making John, Michael and Peter, joint tenants, with rights of survivorship. Did the taxable value uncap in 2007?

No, there was not a transfer of ownership. John was an "original owner" arising from the fact that he obtained his interest in the property by a conveyance that resulted in the uncapping of the taxable value. John and Michael became "initial joint tenant" when the "initial" joint tenancy was created in 2005. Since John was an "original owner" whose ownership interest has continued in the "successor" joint tenancy that added Peter, and since both John and Michael were "initial joint tenants" whose interests as co-tenants was continuous from the time of the "initial" joint tenancy, the taxable value did not uncap when Peter was added.

**Example # 5: Life Estate**

John and Mary purchased Blackacre, as tenants by the entireties, in 2004. In 2005 John and Mary conveyed to themselves and Michael, using language which indicated that "all three (held title) as joint tenants." However, in addition to creating the joint tenancy among the three of them, John and Mary also reserved a life estate for their joint lives. In 2006, both John and Mary died. Did the taxable value uncap in 2007?

Yes, there was a transfer of ownership. Although John and Mary were "original owners" in Blackacre, arising from the fact that the taxable value uncapped in 2005, the year following their purchase, no "present" joint tenancy was created by the 2005 conveyance. Instead, the instrument, by reservation, created a Life Estate during their joint lives, with a remainder interest, in joint tenancy, among John, Mary and Michael. MCL 211.27a(7)(c) provides an exception to uncapping for a conveyance of property subject to a retained Life Estate "until the expiration or termination of the life estate…" Therefore, it is the State Tax Commission's interpretation that a separate and distinct uncapping event, the expiration or termination of a retained life estate, occurred prior to the joint tenancy becoming a present interest and that this uncapping event took precedence over the exception to uncapping contained in MCL 211.27a(7)(h). MCL 211.27a(6) provides that a "transfer of ownership means the conveyance of title to or a present interest in property, including the beneficial use of the property, the value of which is substantially equal to the value of the fee interest." In this example, by the time the remainder interest becomes a present interest, Michael was the sole owner of the property, not an "initial joint tenant." It should also be noted that upon the death of John and Mary, Michael becomes an "original owner."

**Example # 6: Partial Interest**

John, who was a single man at all relevant times, purchased Blackacre in 2004. In 2005, by quit claim deed, John conveyed to himself and his son, Michael, as joint tenants, with rights of survivorship. Several weeks later, but still in 2005, John died, leaving Michael as the sole surviving co-tenant. Michael immediately conveyed a 1% interest in the property to his daughter, Roberta, as a tenant in common. At the time, Roberta was a Michigan resident who resided on the property, and the conveyance was made for the purpose of allowing her to claim the Principal Residence Exemption. In 2007, Michael and Roberta conveyed to themselves, as joint tenants, with rights of survivorship. Did the taxable value uncap in 2008?

Yes, there was a transfer of ownership as to an undivided 99% interest in the property. The original 1% conveyed to Roberta in 2005 resulted (or should have resulted) in an uncapping of the undivided 1% interest which she received as a tenant in common. This uncapping made Roberta an "original owner." However, she was an "original owner" of *only an undivided 1% interest*, as a tenant in common, with her father. When the joint tenancy interest was created, the effect was that Michael, as the sole surviving co-tenant of the previous joint tenancy with his father, John, could not rely on the fact that he was an "initial joint tenant" to exempt the conveyance of the undivided 99% interest he still held, for the reason that when the previous joint tenancy terminated, he was not an original owner. He was not an "original owner" for the reason that he had not acquired his remaining 99% undivided ownership interest in a transaction that resulted in an uncapping of the taxable value.

*Please note, however, if multiple grantors hold as tenants-in-common, each tenancy-in-common interest must be analyzed separately, and it is possible for a partial uncapping to occur, for the reason that a person may be an "original owner" as to one tenancy-in-common interest, but not an "original owner," as to the remainder of the tenancy-in-common interests in the property.*

## Security Interests

**What is a security interest?**

A security interest is an interest in a property that is granted to ensure that a debt will be paid. An example of a security interest is a mortgage to a bank, where the owner of a property gives a security interest to the bank which allows the bank to foreclose on the mortgage and eventually take the property involved if the required mortgage payments are not made.

**Is a transfer to establish, assign, or release a security interest a transfer of ownership?**

No. A transfer to establish, assign, or relinquish a security interest is not a transfer of ownership. *See MCL 211.27a(7)(i).*

The following are not transfers of ownership since these transactions establish, assign, or relinquish a security interest:

- A beginning of a mortgage

- An end of a mortgage
- An assignment of a mortgage by one financial institution to another financial institution
- An assignment of a seller's interest in a land contract (see also the information on land contracts)
- An equitable mortgage

**What is an equitable mortgage?**

ERROR: syntaxerror
OFFENDING COMMAND: --nostringval--

STACK:

88
13642
4
false