



LAW OFFICES OF
DAVID S. FRY, PLC
COTTAGE LAW CENTER

DAVID S. FRY, ESQ.

6739 Courtland Dr., N.E., Ste. 101
Rockford, MI 49341-7217
Phone: (616) 874-1200
Fax: (616) 874-1201
www.cottagelaw.com
david@cottagelaw.com

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Re: House Bill 5141 and Senate Bill 648

Dear Representative (or Senator) _____,

I am writing to you as an owner of Michigan vacation property to voice my strong support for proposed legislation that was recently introduced in both houses of the Michigan Legislature. House Bill 5141 and Senate Bill 648 address the present situation involving “uncapping” of property values for property tax purposes when there is a change in ownership of the property.

Under two recent amendments to the property tax laws, current owners may now transfer their residential property to certain close family members without “uncapping” the value, or changing the value of the property on which property taxes are based. Owners may either transfer property to their spouse, their or their spouse’s parents, siblings, children or grandchildren during the owner’s lifetime or on the owner’s death without this uncapping occurring. This has been a significant help to property owners who wish to keep vacation property in the family for younger generations of family members to enjoy.

Unfortunately, the recent changes allowing these transfers to occur without uncapping were not extended to transfers to entities such as limited liability companies or to transfers of ownership of those entities to the same group of family members. This means that if direct ownership of vacation property is transferred to close family members, the transfer does not uncap the value and raise the taxes, but if the same property is held in a limited liability company and the LLC is transferred to the same people, the value will uncap and invariably, the taxes will go up. In many cases, the tax increase may be as much as 2, 3 or more times the previous amount, and in many cases, it will force a sale of the property as the taxes become beyond the reach of the family.

As you can see, the current laws present a significant disadvantage to property owners who wish to put ownership of vacation property into an LLC. Once the original owners leave the property to their descendants, managing the property without disagreement or conflict becomes increasingly difficult as the extended family grows. Using the LLC approach to ownership provides considerable advantages in terms of how the property is managed, financed, scheduled and maintained when it is owned by more than one person or one couple.

This legislation does not extend the exemption from uncapping to anyone or any family that is not already covered by an exemption. It merely allows families another method of managing ownership issues, a method that is a significant improvement over direct ownership by families.

I urge your support of these Bills, and the passage and signature by Governor Snyder so that they become law.