



This Week in State Tax (TWIST)

July 21, 2025



Multistate: Recent changes to real estate transfer tax and real property regimes

Two jurisdictions—New Jersey and Philadelphia—have recently updated their real estate transfer tax (RETT) and controlling interest transfer tax (CITT) regimes. These changes affect both direct and indirect transfers of real property. In addition, a Michigan court decision recently addressed when a transfer of interests in property will occasion a reassessment of the property.

New Jersey [Bill A5804](#) introduced two significant changes to its imposition of an additional RETT and CITT levy (currently a flat 1 percent) on property transfers in which the consideration exceeds \$1 million. The additional RETT fee is imposed on the direct transfer of real property classified as 2 [residential], 3A [farm property (regular)], 4A [commercial], as well as cooperative units for consideration in excess of \$1 million; the additional CITT fee is imposed on the transfer of more than 50 percent of the ownership of an entity with real property classified as commercial with an equalized assessed value in excess of \$1 million. First, the bill changes the party responsible for the additional fee from the buyer to the seller. Second, the bill introduces a graduated rate structure for the additional RETT and CITT for affected properties; the new rate structure for the additional fee ranges from 1 percent on transfers with a consideration or value in excess of \$1 million but less than \$2 million to 3.5 percent if the consideration paid or equalized assessed value exceeds \$3.5 million. These changes took effect on July 10, 2025.

Philadelphia implemented [several fee and rate changes](#), the most significant of which is an increase of its realty transfer tax rate from 3.278 percent to 3.578 percent (plus the 1 percent state rate for a total combined transfer tax rate of 4.578 percent). These changes took effect on July 1, 2025.

On the real property tax front, the Michigan Supreme Court issued an [opinion](#) on July 2, 2025, regarding whether a property tax assessment “uncapping event” was triggered when a series of transfers resulted in more than 50 percent of the interest in a property being transferred. Under Michigan law, the value of property for real estate tax purposes may not increase more than 5 percent annually unless more than 50 percent of the interest in the property is transferred, at which time the property may be revalued for tax purposes.

In this case, two owners of a 24 percent share in a property purchased an additional 48 percent interest from other owners, and later that same year sold a 20 percent interest to others. Although the owners involved in the transactions ended up retaining 52 percent of the property, the Court determined that conveyance of the same interest multiple times should be aggregated in determining whether the 50 percent threshold had been crossed.

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As a result, the total interests transferred equaled 68 percent (48 percent plus 20 percent), thus triggering an “uncapping event” and reassessment of the property. The court held that the law on triggering a reassessment focused on conveyances, and there was no exception that covered the transactions in which the taxpayers engaged. The ruling highlights the importance of understanding state aggregation rules when contemplating property transfers to avoid unexpected reassessment events. For any questions regarding these updates, please reach out to [Michelle Dohra](#).

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