

Pro-Ration of Real Estate Taxes

"I just received a real estate tax bill for the second half of last year. I just bought this house. Should I have to pay these taxes even though I did not live in the house at that time?"

This is a common question, and the only answer is that in Montgomery County, the buyer has agreed to pay the bill according to provisions in the purchase contract. In the standard Dayton Area Board of REALTORS® Purchase Agreement, buyers agree to pro-rate taxes according to the "short" pro-ration method.

Taxpayers should contact their REALTOR® or title company with any specific questions regarding their purchase agreement.

In Montgomery County, real estate taxes are pro-rated under what is commonly referred to as a "short" pro-ration. If a property is purchased in the first six months of the year, the buyer agrees to take over real estate taxes beginning with the June installment (representing second half of the previous year's tax). Taxes would be pro-rated from January 1st to the date of closing with the amount normally deducted from the purchase price. Once the June installment is due, the buyer uses the moneys pro-rated at closing along with his or her portion (closing date to the end of June) to pay that installment.

If the property is purchased in the second half of the year, the buyer agrees to take over taxes beginning with the December installment (representing first half of the current year's taxes). Taxes would be pro-rated from July 1st until the closing date. The buyer would use moneys pro-rated along with his or her portion (closing date to the end of December) to pay the first half of that year's real estate taxes. While this seems unfair, home buyers should understand that when they sell the property, the taxes are pro-rated the same way. As long as the same short pro-ration policy is applied when the property is resold, then the playing field is level.

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Disclaimer: We are not attorneys. For legal advise consult with a real estate attorney.