



7 Poignant Points About Real Estate Tax Proration For the Miami Valley, Ohio Areas

- 1. Taxes are 6 months in ARREARS in all of Ohio, in the way they are billed**
 - 1.1. So the June bill is for July through December of the previous year
 - 1.2. And the December bill is for January through June of the same year
 - 1.3. Taxes are considered current if the most recent bill is paid.

- 2. The SHORT PRORATION has only one rule: Prorate the next tax bill due after the closing date.**
 - 2.1. Count the number of days from the last tax bill before the closing date to the closing date, which represents the SELLER'S proportional share of the taxes.
 - 2.2. Buyer will be credited that amount at the closing
 - 2.3. Buyer is responsible for taxes for the day of closing
 - 2.4. To calculate the DAILY amount of taxes for proration: Add up a full years worth of taxes, divide by 365, round to 4 decimal places
 - 2.5. Multiply the DAILY amount by the number of days from the last tax bill before closing until the day before the closing date, this is the SELLER'S share
 - 2.6. Montgomery County is one of the counties that has historically handled transactions using the SHORT PRORATION

- 3. The LONG PRORATION has two rules: 1. Seller pays next tax bill due and 2. Prorate the bill after that bill.**
 - 3.1. The entire first tax bill due after the closing date is the SELLERS expense
 - 3.2. Then the second bill coming due after the closing date is prorated just as in the SHORT PRORATION
 - 3.3. Greene County and Warren County historically handled transactions using the LONG PRORATION

- 4. Assessments, unlike taxes, are paid in advance (like rent) and not billed 6 months in arrears.**
 - 4.1 Almost always assessments appear as annual installments on the 1st half years bill. (December bill)
 - 4.2 A few smaller assessments, such as sewer& water and incinerator are split on both bills
 - 4.3 The seller would be rebated a prorated portion of any assessments already paid

7 Poignant Points About Real Estate Tax Proration continued

5. Everything in a contract is negotiable between the parties. It's up to the buyer and seller to mutually agree on how to prorate the property taxes and assessments

- 5.1. Historical practices need not dictate how taxes are to be handled in any transaction, but they suggest a likely procedure to follow
- 5.2. What is most important is that the parties have an informed understanding as to how the taxes will be handled
- 5.3. How taxes are handled is best evaluated by taking into consideration all aspects of an offer to purchase including the NET TO SELLER and NET TO BUYER sheets, as well as timing, ability to perform on the terms and many other considerations.
- 5.4. Many offers to purchase are composed without any regard as to historical practice or county lines but rather to the last transaction familiar to the parties, regardless of the fact that it may have been in another county

6. EXTRA ENLIGHTENING INSIGHTS

- 6.1. If a property is sold using the same tax proration method as when it was purchased then the sellers pay taxes for the exact numbers of days of ownership
- 6.2. If bought and sold using the SHORT PRORATION, then the number of days of ownership does not correspond to the actual days of ownership, rather it is shifted six months in arrears
- 6.3. If bought and sold using the LONG PRORATION, then the number of days of ownership corresponds to the actual days of ownership.
- 6.4. *It is imperative that the agents of each party verify that the proration of taxes for the closing is being conducted according to the terms of the Agreement to Purchase.*

7. EXTRA COMPLICATIONS AS IF THERE ARE NOT ENOUGH

- 7.1 The lender of the new loan may require additional funds from the buyer to establish a tax escrow reserve account. This is more likely when the closing is months just prior to a tax bill.
- 7.2 The seller may have taken advantage of an additional 10% discount for "prepaying" in January the entire annual bill.
- 7.3 Homestead exemptions do not convey to the new purchasers
- 7.4 Can't include every possible permutation in just 7 points, so there may be others that you encounter.