



## Understanding Property Taxes in Escrow

Paying Property Taxes in an escrow account are among one of the most confusing issues for both Buyers and Borrowers. Whether you are buying a home or refinance your existing mortgage, taxes are applied in several ways in your escrow. Below are a few that you will find often on your escrow instruction:

### Taxes to be paid:

Property taxes are generally divided so that the buyer and the seller each pay taxes for the part of the property tax year they owned the home. The fiscal tax year commences on July 1 of each year, and ends on June 30 of the following year.

### Tax Impounds:

An Impound Account, also known as an Escrow Impound Account, is an account set up and managed by mortgage lenders to pay property taxes and insurance on behalf of the home buyer. The lender may collect 2-6 months of tax payment with each month's amount equal to about 1/12 of the total sum of the annual property taxes along with their mortgage payment. When the time comes to pay the annual property taxes, the lender makes the payment from the funds accumulated in the account on behalf of the buyer.

### Tax Prorations:

At time of closing, the escrow agent will sometimes be required to determine what portion of the next tax installment is the seller's responsibility, they will then charge the seller and credit the buyer with said amount. When the next installment is due, the buyer will pay the total amount since the buyer was already reimbursed with the seller's portion at closing. Likewise, if the seller had already prepaid his taxes, the prepaid portion will then be charged to the buyer and serves as credit to the seller.

### Supplemental Taxes:

If the market value of property is different from the previous owner's taxable value, the new owner will receive a NOTICE OF SUPPLEMENTAL ASSESSMENT and a supplemental tax bill or refund. Usually supplemental taxes are not collected in

escrow. Notices of supplemental assessment and supplemental tax bills are mailed several months after escrow closes. Supplemental assessments are pro-rated from the date of transfer to the end of the tax year (June 30th). Changes in ownership that occur between January 1 and May 31 are subject to two supplemental assessments because of the State's property tax calendar. Supplemental assessments are typically paid by the new owner directly and are not included in impound accounts. Supplemental property tax bills are mailed within 2 weeks of the Notice of Supplemental Assessment. Due dates for supplemental taxes can vary. Please read the tax bill carefully, or contact the TAX COLLECTOR for more information.

## PROPERTY TAX DUE DATES

November 10 <sup>th</sup>	DUE
December 10 <sup>th</sup>	DELINQUENT
February 10 <sup>th</sup>	DUE
April 10 <sup>th</sup>	DELINQUENT

Secured property taxes can be paid in two installments. The first installment is due November 1 and delinquent December 10. The second installment is due February 1 and delinquent April 10. **See Reverse for Other Dates to Remember.**

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