

HOW TO PRORATE REAL ESTATE TAXES FORMULA



The closing process occurs under the control of a closing agent who is responsible for the execution of legal agreements and the transfer of money to all interested parties.

At the closing, also known as the closing of escrow, real estate taxes are prorated between the buyers and sellers so that each party pays the appropriate amount of tax for the number of days they own the property.

The proration amounts depend on local customs and previous tax payments.

DOING PRORATION MATH

Figuring the prorated tax for the buyers and sellers is a five-part process:

1. Calculate the daily tax rate by dividing the annual tax rate by the days in the year (365, or 366 for leap years or 244 days through August so then add).
2. Look up the day count for the closing date. For example, the day counts for Jan. 1 and Dec. 31 are 1 and 365 respectively (for a non-leap-year).
3. Calculate the sellers' number of days as the closing day count minus 1.
4. Calculate the buyers' number of days as the days in the year minus the sellers' number of days.
5. Calculate each party's tax obligation as their number of days times the daily tax rate times the property's assessed value.

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EXAMPLE OF TAX PRORATION

If the annual tax rate is 1 percent, then you would find the daily tax rate by dividing .01 by 365, for a daily tax rate of 0.0027397 percent. Further suppose that the closing occurs on Sept. 18, the 261st day of the year. The sellers owe tax for 260 days (i.e., 261 - 1). The buyers are on the hook for 105 days (i.e., 365 - 260). If the assessed value of the property is \$300,000, then the annual tax bill is \$3,000. The sellers' prorated tax bill is $(\$300,000 \times 0.0027297\%/\text{day} \times 260 \text{ days})$, or \$2,136.99. The buyers will have to shell out $(\$300,000 \times 0.0027297\%/\text{day} \times 105 \text{ days})$, or \$863.01 in real estate tax for the year. Note that the total works out to be \$3,000 (i.e., \$2,136.99 + 863.01).

SELLER'S PREVIOUS PAYMENTS

If the sellers have already paid more tax than they owe, they are due a refund at closing.

The closing agent will transfer the refund amount from the buyer's escrow account, which has money set aside for the refund and the next tax payment. If the sellers have not paid the full amount of property tax they owe, the amount due gets deducted from their escrow account, via a check written by the seller, or deducted from the sale proceeds paid to the seller.

The buyers pay their share from their escrow account. The closing agent collects all the real estate tax money and deposits it with the tax authority.

ASSESSED VS. MARKET VALUE

There may not be any direct relationship between a property's assessed and market values. It is the assessed value that is used to calculate taxes.

In California, Proposition 13 allows recalculation of the assessed value under certain conditions, such as change of ownership, new construction, inflation up to 2 percent, a temporary reduction due to a market value decline and restoration of assessed value after temporary reduction.

Other states and municipalities have their own rules governing assessed amounts.

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WARNINGS

Don't lose the closing statement. The closing statement is an important document that you might need to use in the future should you be asked to provide evidence that you paid your share of the property taxes.



TIPS

The buyer, if itemizing deductions, can claim a tax deduction for all of the prorated property tax amount even if the buyer was not required to reimburse the seller for property tax that was already paid.

LET'S TAG TEAM THIS DEAL!

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APPENDIX 1 - EXAMPLE TAX BILL

PARCEL NUMBER 503912-01-1220

FERNANDEZ, CRISTINA V
MOOREHEAD, JOHN JOSEPH JR
745 BAYSIDE LN
WESTON, FL 33326-3338



2020 NOTICE OF PROPOSED PROPERTY TAXES AND PROPOSED OR ADOPTED NON-AD VALOREM ASSESSMENTS

Broward County Taxing Authorities
Broward County Governmental Center
115 South Andrews Avenue, Fort Lauderdale, Florida 33301-1899

DO NOT PAY THIS IS NOT A BILL

The taxing authorities which set property taxes against your property will soon hold PUBLIC HEARINGS to adopt budgets and tax rates for the next year.

The purpose of the PUBLIC HEARINGS is to receive opinions from the general public and to answer questions on the proposed tax change and budget PRIOR TO TAKING FINAL ACTION.

Each taxing authority may AMEND OR ALTER its proposals at the hearing.

The taxing authorities listed below set your tax rates. The Broward County Property Appraiser sets your property value and applies exemptions.

If you have questions regarding your value or exemptions, please call the appropriate department listed on the back of this form.

YOUR PROPERTY VALUE LAST YEAR		YOUR PROPERTY VALUE THIS YEAR					
COUNTY	SCHOOL BOARD	MUNICIPAL	INDEPENDENT	COUNTY	SCHOOL BOARD	MUNICIPAL	INDEPENDENT
523,160	523,160	523,160	523,160	498,280	498,280	498,280	498,280
7,420	7,420	7,420	7,420	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
515,740	515,740	515,740	515,740	498,280	498,280	498,280	498,280
25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
465,740	490,740	465,740	465,740	448,280	473,280	448,280	448,280

See reverse side for an explanation of above listed values.

Proposed Ad Valorem Taxes

TAXING AUTHORITY	LAST YEAR'S ACTUAL TAX RATE	THIS YEAR'S PROPOSED TAX RATE	YOUR PROPERTY TAXES LAST YEAR	YOUR TAXES THIS YEAR IF PROPOSED CHANGE IS MADE	A PUBLIC HEARING ON THE PROPOSED TAXES AND BUDGET WILL BE HELD	YOUR TAX RATE THIS YEAR IF NO BUDGET CHANGE IS MADE	YOUR TAXES THIS YEAR IF NO BUDGET CHANGE IS MADE
*DEPENDENT TAXING DISTRICT / MSTU	**COLUMN 1	**COLUMN 2	**COLUMN 3	**COLUMN 4		**COLUMN 5	**COLUMN 6
--- COUNTY ---	5.4878	5.4999	2,555.89	2,465.50	PH 954-831-4000: SEPT 10, 5:01 PM VIRTUAL HTTP://REGISTERTOSPEAK.BROWARD.ORG/	5.2649	2,360.15
COUNTY COMMISSION	0.1812	0.1691	84.39	75.80		0.1691	75.80
VOYER APPROVED DEBT LEVY							
--- BROWARD PUBLIC SCHOOLS ---							
BY STATE LAW	3.8870	3.6660	1,907.51	1,735.04	PH 754-321-2225: KATHLEEN C. WRIGHT ADM. BLDG. 600 SE 3 AVE, FT. LAUD., SEPT 9, 5:30 PM	3.7265	1,763.68
VOYER APPROVED DEBT LEVY	2.7480	2.7480	1,348.55	1,300.57		2.6345	1,246.86
--- MUNICIPAL ---	0.1043	0.0912	51.18	43.16		0.0912	43.16
WESTON	3.3464	3.3464	1,558.55	1,500.12	PH 954-385-2000: SEPT 14, 7:00 PM VIRTUAL WWW.WESTONFL.ORG/E-MEETING	3.2360	1,450.63
--- INDEPENDENT DISTRICTS ---							
SOUTH FLORIDA WATER MANAGEMENT DISTRICT	0.1152	0.1103	53.65	49.45	PH 561-686-8800: SEPT 10, 5:15 PM VIRTUAL HTTPS://WWW.SFRWD.GOV/NEWS-EVENTS/MEETINGS	0.1103	49.45
SFMD - OKEECHOBEE BASIN	0.1246	0.1192	58.03	53.43		0.1192	53.43
SFMD - EVERGLADES CONSTRUCTION	0.0397	0.0380	18.49	17.03	PH 561-627-3386: FIND OFFICE 1314 MARCINSKI RD, JUPITER, SEP 10, 5:30 PM HTTPS://WWW.CSCBROWARD.ORG	0.0380	17.03
FLORIDA INLAND NAVIGATION DISTRICT	0.0320	0.0320	14.90	14.34	PH 954-377-1000: SEPT 8, 5:30 PM VIRTUAL HTTPS://WWW.BROWARDHEALTH.ORG/BOARD	0.0306	13.72
CHILDREN'S SERVICES COUNCIL	0.4882	0.4882	227.37	218.85		0.4667	209.21
NORTH BROWARD HOSPITAL DISTRICT	1.0324	1.2889	480.83	577.79		0.9854	441.74
TOTAL AD VALOREM TAXES			8,359.34	8,051.08			
**TOTAL NON-AD VALOREM ASSESSMENTS			1,574.19	1,713.24			
TOTAL OF AD VALOREM TAXES AND NON-AD VALOREM ASSESSMENTS (SEE REVERSE SIDE FOR DETAILS)			9,933.53	9,764.32			
							7,724.86

*Note: Amounts shown on this form do NOT reflect early payment discounts you may have received or may be eligible to receive. (Discounts are a maximum of 4 percent of the amounts shown on this form)
 • If you feel the market value of your property is inaccurate or does not reflect fair market value, or if you are entitled to an exemption or classification that is not reflected above, contact the Broward County Property Appraiser at: 954-357-6831 OR 954-357-6835, 115 S ANDREWS AVE, RM 111 FT LAUDERDALE
 • If the Property Appraiser's office is unable to resolve the matter as to market value, classification or an exemption, you may file a petition for adjustment with the Value Adjustment Board. Petition forms are available from the Broward County Property Appraiser and must be filed on or before --- September 18, 2020
 • Your final tax bill may contain non-ad valorem assessments which may not be reflected on this notice such as assessments for roads, fire, garbage, lighting, drainage, water, sewer, or other governmental services and facilities which may be levied by your county, city, or any special district and possible or additional ad valorem penalties.
**** SEE REVERSE SIDE FOR NON-AD VALOREM ASSESSMENTS AND EXPLANATIONS ****

APPENDIX 2 - EXAMPLE TAX BILL

ADD THESE TWO NUMBERS TOGETHER TO GET YOUR TRIM/TAX BILL.
 $\$7,724.86 + \$1,713.24 = \$9,438.10 / 12 = \786.51 PER MONTH.

property owners and to answer questions on the proposed non-ad valorem assessments prior to taking action. All property owners have the right to appear at the public hearing and speak or file written objections to the non-ad valorem assessments. The written objection must be filed with the local government within 20 days of the first class notice required by sect. 197.3632, Florida Statutes --- this form constitutes the first class notice required by sect. 197.3632, Florida Statutes for county assessments and certain municipal assessments listed below. ---

LEVYING AUTHORITY/ PURPOSE OF NON-AD VALOREM ASSESSMENT	YOUR NON-AD VALOREM ASSESSMENT LAST YEAR	YOUR NON-AD VALOREM ASSESSMENT IF PROPOSED CHANGE IS MADE	LEVY RATE PARCEL UNITS AND UNIT OF MEASUREMENT	DATE, TIME, AND LOCATION OF PUBLIC HEARING AND TOTAL ASSESSMENT REVENUE TO BE COLLECTED
WESTON FIRE ASSESSMENT	472.76	549.54	549.54 1 UNIT RESIDENTIAL	PH 954-385-2000: SEPT 14, 7:00 PM VIRTUAL WWW.WESTONFL.ORG/E-MEETING CITY WILL COLLECT \$17,159,061.46 IN ASSMNTS
INDIAN TRACE - P6	821.33	829.46	4,365.60 0.19 ACRES ACREAGE	PH 954-385-2000: SEPT 14, 7:00 PM VIRTUAL WWW.WESTONFL.ORG/E-MEETING
WESTON SOLID WASTE ASSMT	280.10	334.24	334.24 1 UNIT RESIDENTIAL	DIST. WILL COLLECT \$21,418,458.76 IN ASSMNTS PH 954-385-2000: SEPT 14, 7:00 PM VIRTUAL WWW.WESTONFL.ORG/E-MEETING CITY WILL COLLECT \$5,958,078.23 IN ASSESSMENTS
**TOTAL NON-AD VALOREM	1,574.19	1,713.24		

2020 NOTICE OF PROPOSED PROPERTY TAXES
AND PROPOSED OR ADOPTED
NON-AD VALOREM ASSESSMENTS



TOTAL OF AD VALOREM TAXES AND NON-AD VALOREM ASSESSMENTS	9,933.53	9,764.32
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Note: Amounts shown on this form do NOT reflect early payment discounts you may have received or may be eligible to receive.

(Discounts are a maximum of 4 percent of the amounts shown on this form.)

**2020 NOTICE OF PROPOSED PROPERTY TAXES AND
PROPOSED OR ADOPTED NON-AD VALOREM ASSESSMENTS
EXPLANATION**