

LUCAS COUNTY TAX PRORATIONS

A "Clip and Copy Article" for Clients of REALTORS®, by Debbie J. Papay, Attorney

Every January and July we get a few phone calls from people who bought their homes within the prior six-month period. They have just received their first real estate tax bill for their new home, and they are convinced the bill must be a mistake because the bill mentions a period of time prior to when they bought the home. (For example, they bought a house in March 2005, and received a bill in June that says it is for the "second half, 2004"). They think since they didn't own the house in the second half of 2004 that they shouldn't have to pay this bill. Not so.

Real estate taxes for homes in Lucas County are brought current by the seller at the closing table. That means that if the seller hasn't paid the most recent bill due before the closing, they pay the taxes at the closing table. Then there is the issue of the real estate taxes that are accumulating, day-by-day, until the next bill comes out. That bill is prorated, or fractionally divided, between buyer and seller, at the closing table on the "due and payable" basis. That means that at the closing the buyer receives a financial credit from the seller for the seller's share of the next tax bill becoming "due" after the closing. Having received the seller's contribution, the buyer then pays all tax bills that become "due and payable" after closing and while they own the home, regardless of whether the bill is "for" a period prior to closing. This makes sense when you realize that our real estate tax bills come out about a year in arrears. How could the County Treasurer possibly track down prior property owners for payment? They may have sprouted snowbird wings and moved south! Even if the Treasurer could find the prior owners, enforcement would be difficult and expensive.

Why do our tax bills come out almost a year behind? I've heard a rumor that there was a moratorium on taxes during the Great Depression. So the logic goes, now how could we ever catch up? What voter would want to pay two years at once? Whether true or not, the reason doesn't matter. The point is trying to communicate the *method*. Other counties in Ohio do this differently (using the "lien method"), except Perrysburg often follows the Lucas County "due and payable" method instead of the Wood County lien method (actually either method could be negotiated into the contract.)

In summary, our Lucas County "first half" real estate tax bills ("for" the period January through June) become "due and payable" the *f o l l o w i n g* December 20, and the "second half" real estate tax bills ("for" the period July through December) become "due and payable" the *f o l l o w i n g* June 20. This process

does not shortchange the buyer! As long as the tax proration is done the same way at closing when the buyer later sells the home as when he bought it, everything evens out. Then the new owner will be paying a bill that becomes "due and payable" while he owns it, but was actually "for" a time period when his seller owned it.



The easiest thing to do is FORGET what time period the tax bill is "for"! Just remember that you must pay the tax bills on your home that become "due and payable" while you own it. Period. While the bills technically become due and payable on June 20 and December 20, they usually aren't even mailed out and paid until July and January, respectively. If you escrow your taxes with your mortgage lender, you may not even be aware of and confused by this issue. But then again you may see it on your annual escrow account statement, and you definitely should know what to do when you sell your home. So that's the story! © 2005, Debbie J. Papay, Attorney