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Some Basic Points About Real Estate Tax Proration

(Example: A taxpayer acquired a property on Sept. 27th, and was given a prorated credit at closing for only part of the next tax bill due – but wants to know why not for the full year, and also why they received a bill for the first half, when they didn't even own the property yet.)

It's a bit complicated, and everything in a contract between buyer and seller is negotiable, but here are some of the high points:

1. **Real Estate taxes are billed six months in arrears in all of Ohio.** While the exact due dates may vary by county, First Half taxes cover the period from the beginning of January through the end of June (and are billed/collected six months later), while Second Half taxes cover the period from the beginning of July through the end of December (and are billed/collected six months later). In Lucas County, our bills are usually due on the first Wednesday in February (first half) and the last Wednesday in July (second half).

2. Most real estate sales in Lucas County use a "**SHORT PRORATION"** method to calculate real estate taxes at closings. ***This method only prorates the next tax bill due after the closing date.*** The seller's share of taxes is calculated as follows: The daily rate is calculated by dividing the full year tax amount by 365 (rounded to the fourth decimal place), then multiplied by the number of days from the last tax bill before closing until the day before the closing date. This amount is customarily credited to the buyer at closing (rather than paid to the Treasurer).

   Since real estate taxes are affixed to the property, all subsequent taxes become the responsibility of the buyer.

3. **The "Lucas County Custom"** In a practice dating back to the 1940s, the calculation method used by Lucas County's area title companies (and referenced in the standard Residential Real Estate Purchase Agreement of both the Toledo Bar Association and the Toledo Regional Association of Realtors) cite the lien/tax due dates of December 20th for the First Half bill and June 20th for the Second Half Bill.

   Example: Sept. 27th acquisition date. Annual taxes are $3,650.00. The daily rate would be $10.00/day (yearly taxes/365). Multiply the daily rate by the number of days from June 20th through September 26th. Let's assume this takes place in a year in which this adds up to 100 days. 100 x $10.00 would equal $1,000.00 in prorated compensation/credit from seller to buyer at closing.

   Remember, there can often be exceptions to the rules:

- Parties can agree to use the calendar lien method instead of the Lucas County custom.
- Sellers closing near tax due dates often choose to pay the entirety of a bill, just for expediency.
- Parties can agree to use the LONG PRORATION method (seller pays next bill due; bill after that is apportioned using same method as that of short proration).

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