



## Tax Proration

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- Legacy Title Agency
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1



## Property Taxes

- Are Charges imposed by local governments on the assessed value of real property (land and buildings).
- The Local assessors evaluate properties periodically to determine their assessed (S.E.V.) and taxable value.
- Determined by multiplying the assessed value of the property by the local tax rate (millages).
- Typically paid semi-annually July 1 and December 31

2

# Property Taxes Calculation

- Taxable Value x Millage Rates = Base Tax
- \$141,001.00 x .12129400 = \$1,727.31

3

- S.E.V (State Equalized Value)  
Estimated at 50% market value.
- Taxable Value  
can only increase at the rate of inflation or 5%, whichever is less.
- Millages  
Set by local governments

School District	2090	PSE/NET	18.0000%
Taxable Value	\$141,001	S.E.V	\$211,000
Property Class	401 - RESIDENTIAL UNIMPROVED	Assessed Value	\$111,000
Tax Bill Number	As State or District	Last Receipt Number	0001617
Last Payment Date	03/05/2024	Number of Payments	1
Base Tax	\$1,710.21	Base Paid	\$1,710.21
Admin Fees	\$17.10	Admin Fees Paid	\$17.10
Interest Fees	\$0.00	Interest Fees Paid	\$0.00
<b>Total Tax &amp; Fees</b>	<b>\$1,727.31</b>	<b>Total Paid</b>	<b>\$1,727.31</b>
Residence Zone	Not Assessed	Mortgage Code	Not Assessed

### Tax Bill Breakdown for 2023 Winter

Taxing Authority	Millage Rate	Amount	Amount Paid
ANIMAL CONTROL	0.010000	\$1.21	\$1.21
CSA	0.075000	\$91.82	\$91.82
CSA NETWORK FEES	0.004000	\$11.42	\$11.42
EDUCATION	0.008000	\$13.80	\$13.80
ROAD USE	0.075000	\$127.26	\$127.26
VETERANS	0.110000	\$18.80	\$18.80
LIBRARY OPER	0.004000	\$17.70	\$17.70
SPRING LAKE OPER	0.011000	\$18.80	\$18.80
AUT. INSURANCE	0.014000	\$17.90	\$17.90
PROGRAM	1.007000	\$217.81	\$217.81
KATA	0.010000	\$17.10	\$17.10
RMC (SPARKING)	2.007000	\$270.00	\$270.00
RODLEY OPER	1.000000	\$10.00	\$10.00
NORTH 20	2.007000	\$281.00	\$281.00
ENG DEPT	0.000000	\$0.00	\$0.00
Admin Fees		\$17.10	\$17.10
	<b>10.129400</b>	<b>\$1,727.31</b>	<b>\$1,727.31</b>

4

## What is a Tax Proration!

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- Allocation of property taxes between the buyer and seller based on the closing date.
- Calculated based on the number of days each party owns the property during the tax year.
- Ensures equitable distribution of tax burden.



5

## The process of Tax Proration!

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- The closing date of the real estate transaction is crucial in property tax proration as it determines the portion of the year for which each party is responsible for property taxes.
- The prorated amount is calculated based on the number of days each party will own the property during the tax year, ensuring a fair allocation of property tax obligations.
- Property tax proration impacts the financial aspects of the real estate transaction, influencing the funds that are exchanged between the buyer and the seller at closing.



6

## Common Tax Prorations !

- Due date paid in advance.
- Due date paid in the arrears.
- Calendar year paid in advance.
- Calendar year paid in arrears.
- Combination of the above
- No Tax Proration.



7

## The Purchase Agreement

The purchase agreement should outline the specific terms and conditions for the proration of property taxes between the buyer and the seller.



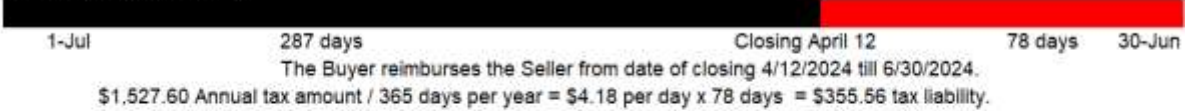
**Property Taxes:** All property taxes due and payable on or before the date of closing shall be paid by Seller. Current taxes shall be prorated and adjusted as of the date of closing in accordance with the due date of the municipality or taxing units in which the property is located.

8

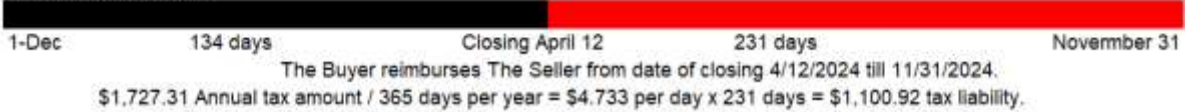
Proration on a Due Date bases as Paid in Advance.

Real property taxes shall be treated as though they are Billed in advance based on the due date upon which the tax bill first becomes payable.

Summer / City / Town Tax



Winter / County Taxes

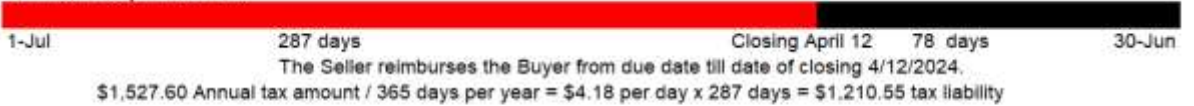


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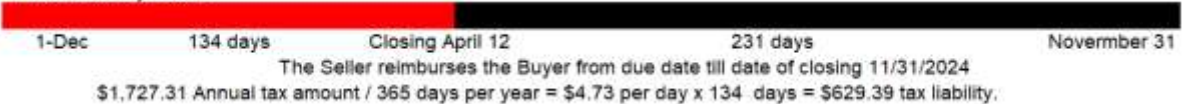
Proration on a Due Date based as Paid in Arears.

Real property taxes shall be treated as though they are Billed in arears based on the date upon which the tax bill first becomes payable.

Summer / City / Town Tax



Winter / County Taxes



10

## Proration on a Calendar Year as Paid in Advance.

Real property taxes shall be treated as though they cover the calendar year in which the tax bills are issued and are paid in advance based on the due date.

## Summer / City / Town Tax

1-Jan 103 days Closing April 12 262 days 31-Dec

The Buyer reimburses the Seller from date of closing April 12, 2024, till 12/31/2024.

$\$1,527.60$  Annual tax amount / 365 days per year =  $\$4.18$  per day x 262 days =  $\$1,248.03$  tax liability.

## Winter / County Taxes

1-Jan 103 days Closing April 12 262 days 31-Dec

The Buyer reimburses the Seller from date of closing April 12, 2024, till 12/31/2024.

$\$1,727.31$  Annual tax amount / 365 days per year =  $\$4.73$  per day x 262 days =  $\$1,248.03$  tax liability.

11

## Proration on a Calendar Year as Paid in Arears.

Real property taxes shall be treated as though they cover the calendar year in which the tax bills are issued and are paid in arears based on the due date.

## Summer / City / Town Tax

1-Jan 103 days Closing April 12 262 days 31-Dec

The Seller reimburses the Buyer from 1/1/2024 till the date of closing 4/12/2024.

$\$1,527.60$  Annual tax amount / 365 days per year =  $\$4.18$  per day x 103 days =  $\$429.00$  tax liability

## Winter / County Taxes

1-Jan 103 days Closing April 12 262 days 31-Dec

The Seller reimburses the Buyer from 1/1/2024 till date of closing April 12, 2024

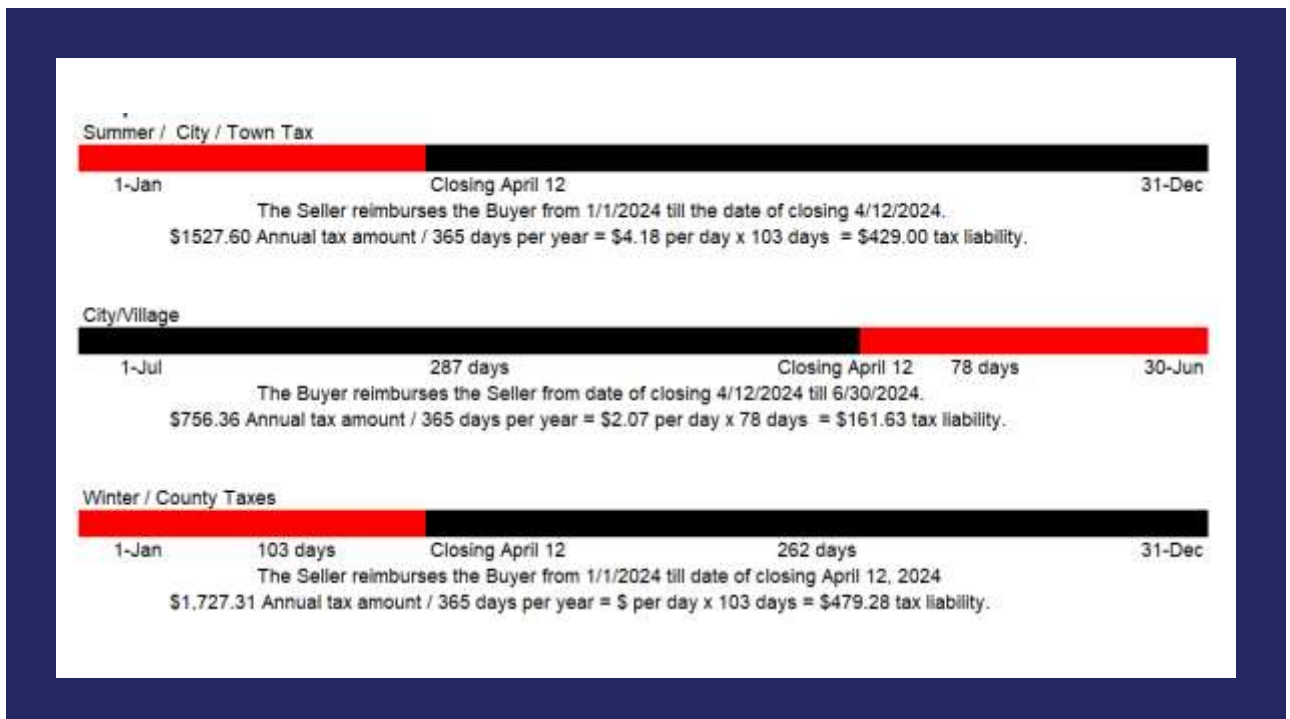
$\$1,727.31$  Annual tax amount / 365 days per year =  $\$4.73$  per day x 103 days =  $\$479.28$  tax liability.

12

## Proration based on a Combination.

Current Taxes” (defined as general property taxes due in the calendar year the closing takes place) shall be prorated as of the date of closing in the following manner: county taxes, including township and school, shall be prorated on a calendar year basis, as if paid in arrears, so that Seller will be charged with the portion thereof from the prior January 1 to the date of closing, and Buyer with the balance of the year. City taxes and village taxes shall be prorated on a due date basis as if paid in advance so that Seller will be charged with the portion thereof from the prior July 1 to the date of closing, and Buyer with the portion from the date of closing to the next June 30.

13



14

## Addition Types of Prorations.

- Taxes prorated based on local custom.
- Proration based on method of collection of applicable municipalities.
- Fiscal Year Proration.
- Split from Larger Parcel



15

## Tax Proration Best Practices.



Obtain updated tax information from municipality.



Remember Tax Prorations are just story problems.



Review the purchase agreement and determine values for proration.



Is the proration on a calendar year, Due date, or fiscal year, paid in advance or in the areas.



Does it indicate anything other than based on 365 days in the year.



If it is not clear, request written clarification.

16





Tax prorrations ensure a fair distribution of tax responsibilities based on ownership periods, tax prorrations contribute to a smooth and effective closing process.



17



Questions?

18

Thank you for your time!

It has been my pleasure to bring to  
you Tax proration.

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