

# PRORATED TAXES

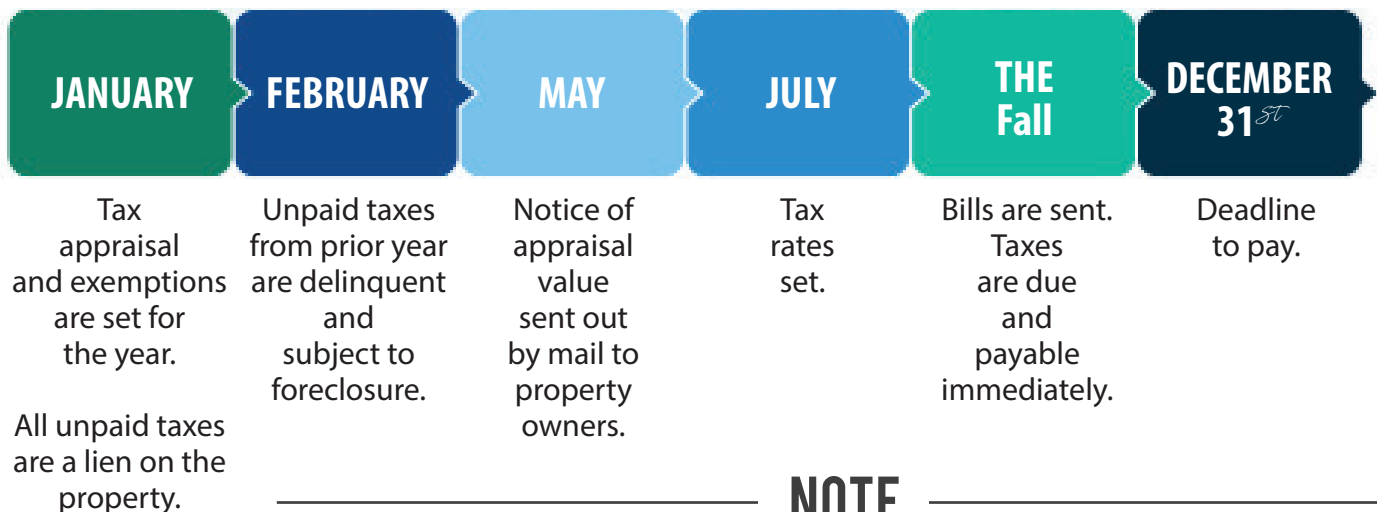
## *When Buying or Selling in Texas*

In Texas the property taxes are due at the end of the year and the taxing authorities will only accept payment from one entity. Therefore, when you sell or buy a home the property taxes will be prorated at closing so that each party pays their portion of the year's taxes. This means that the title company will adjust your closing statement to include a debit or a credit for the taxes so that at the end of the year the party that is responsible for payment of the taxes has been trued up to only pay for the time they owned the property. For example, let's say a buyer closes in July. When the tax bills come out in October the buyer is going to get the full tax bill. To help make sure the seller pays their fair share the title company will give a credit to the buyer (and a corresponding debit from seller funds) to cover the seller's ownership January – July.

### FIGURES USED FOR PRORATED TAX AMOUNTS

In Texas, the exact amount of annual property taxes are unknown until property taxes come due in October. (Side note, the CAD does send an estimated tax bill to homeowners in May when they issue their notice of tax values). Therefore, when closing on a home before taxes are due, the prorated taxes at closing come from an estimated tax amount. Using the previous year's taxes as a guide provides the estimated amount. However, if the tax bill is due (which only occurs for closings after October in Texas) the prorated tax amounts will then be accurate using current bill.

### THE TEXAS PROPERTY TAX TIMELINE



### NOTE

For information about Homestead Exemptions, please visit:  
[www.texasnationaltitle.com/sites/tnt/files/Homestead-Exemptions.pdf](http://www.texasnationaltitle.com/sites/tnt/files/Homestead-Exemptions.pdf)