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# **UNDERSTANDING THE WACKY PROPERTY TAX CALENDAR**

**By Rod Herman – All Rights Reserved**

In case you never opened that little envelope from Charles A. Lomeli a few weeks ago, you may be surprised to know that the first installment of property taxes for the 2002-2003 tax year was due a week and a half ago.

Now, before you start rummaging through the pile of mail that's been sitting on your staircase the last few weeks or hop in the car to make a mad dash to Fairfield, relax.

That's because you actually have another 30 days before you need to panic. For, even though the first installment of property taxes was due Nov. 1, the bill you received from Tax Collector Lomeli a few weeks ago isn't delinquent as long as it's paid by Dec. 10.

Property taxes, or more specifically, the property tax calendar is one of the most confusing things a property owner will ever encounter. If you're a seasoned homeowner, by now, you may have all the various dates and time frames committed to memory.

But if you're new to the home ownership game, you may start to feel like you and Mr. Lomeli are bosom buddies based on the amount of mail you're going to get from him over the next few months. That's especially true if you just bought a home in the past few months.

I can almost set my watch by Mr. Lomeli's mailings. Without fail, I always know that within a matter of days after his tax bills hit people's mailboxes, I'm going to get a few calls from clients who recently closed escrow wanting a brief refresher on how the property tax calendar works. The same, I know, is true for other real estate agents, as well as mortgage lenders and title companies.

Even though property taxes were due Nov. 1, you may be surprised to know that the beginning of the tax year was actually July 1, which means there's a four-month lag between the start of the tax year and the date the first installment of taxes are due.

Add the grace period to Dec. 10, and you actually have almost 5-1/2 months from the start of the tax year before you have to make your first tax payment without penalty.

Based on that final first payment date (Dec. 10), you'd expect your second tax installment to be due six months later – or right around mid-June, right?

Wrong.

You see, even though your first tax bill doesn't arrive until shortly before Nov. 1, the second bill comes out right after the first of the year. That's because that installment is due Feb. 1 – less than two months after the end of the first installment's grace period. Not only that, but it's also right about the same time people start receiving their holiday shopping bills and income tax forms.

As with the first installment of property taxes, you also get a long grace period to pay without penalty. The second installment grace period goes all the way until April 10 (which, if you didn't think about it, is also just five days before income taxes are due).

If your lender collects your property taxes and pays them for you out of an impound account, then these dates shouldn't be cause for too much concern, since you're already making a pro-rated tax payment every month as part of your normal house payment.

It's the people who are paying property taxes on their own who are usually most impacted, particularly if they're caught off guard by the payment dates or are expecting a six-month gap between the two installment due dates.

Along with the two payment and grace period dates, there's one other date homeowners should be aware of, for it can have a bearing on another type of property tax bill that mostly affects those who recently purchased a home.

That date is Jan. 1, which is known as the "lien date" – the date the assessor's office uses to set the value on your property for the upcoming tax year.

By law, as long as there's no change in ownership, the assessed value cannot go up more than two percent a year, no matter how much the home appreciates. Only when it sells can the county reassess the property at its actual market value.

As you might guess, on the sale of a home that was owned by same person for many years, there can be a huge difference between the seller's assessed value and the actual market value of the property.

For example, let's say the seller purchased his home in 1985 for \$125,000. Even though it's now worth \$425,000, due to that two-percent-a-year ceiling, the home is currently only assessed on a value of about \$178,500.

If taxes are approximately 1.15 percent a year, the current property tax bill is just over \$2,000 a year, rather than the \$4,900 that would be due if the home was assessed at its real value.

Once the home sells, the county can reassess it for the full \$425,000, which means that the new owner's annual tax bill will be almost \$2,900 more than the previous owner paid.

But what if the home closed escrow on May 6. Or, March 14. Or even Jan. 2. Since the assessed value for the upcoming tax year is based on the value of the property on Jan. 1, the change in value wouldn't be recognized until the following January.

If you're a new buyer who closes escrow Jan. 2, that would seem like great news, since the tax roll coming out that July would still reflect the seller's much lower assessed value. It wouldn't be until a year from that November (almost two years after escrow closed) before you'd get a regular tax bill reflecting the home's higher reassessed value.

Well, not so fast. The county isn't about to miss out on all that tax revenue just because you happened to close escrow a few days after the assessor's lien date.

So it sends new owners a supplemental tax bill, covering the difference between the regular tax bill and what it should be if the assessor's office didn't have to wait until the following Jan. 1 to catch up.

In other words, there's no free lunch.

Usually, those supplemental bills come out several months after escrow closes. So if you closed escrow last spring, you probably received one long before the regular tax bills that just came out.

But if you closed escrow in late summer or early fall, your supplemental bill may not have yet arrived and could show up right in the midst of your regular first and second installment

bills. And that's where a new homeowner can be thoroughly confused, for it can easily seem like you're getting a new tax bill every few weeks.

If your lender pays your taxes, they're no doubt collecting an amount that should easily cover both your normal property taxes plus any supplemental taxes that are due. But since they only receive your regular tax bills, your lender won't know about any supplemental bills you might receive.

So if you get one, be sure to advise them and see if there's enough in your impound account for your lender to pay your supplemental bill for you. If not, you're on your own with that one.

And for those who don't have an impound account and instead choose to pay their own property taxes, get used to the name Charles Lomeli, since over the next few months, you're bound to get something from him on a rather regular basis.

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