

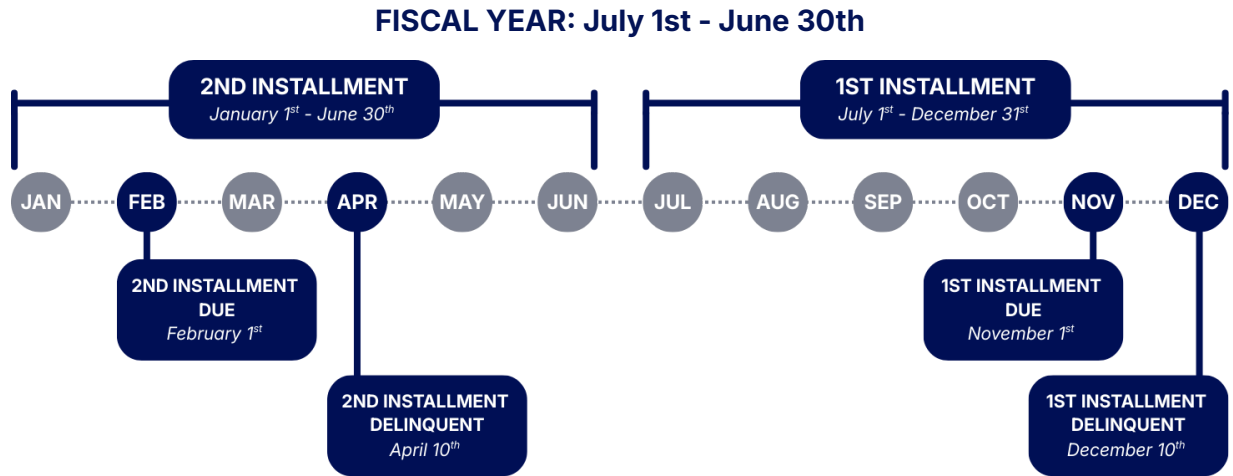


# UNDERSTANDING CALIFORNIA PROPERTY TAXES



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Secured, Unsecured, & Supplemental Property Taxes, Prorations, and Escrow's Role



## SECURED PROPERTY TAX

"Secured" property is any property that can't be moved like homes or land.

Secured property tax is based on the value of your property as assessed on January 1st. Proposition 13 limits the tax rate to 1% of a property's current assessed value, plus any voter-approved bonds and assessments. The proposition also states that property values can't increase more than 2% annually, based on the California Consumer Price Index. The bill for the full fiscal year is released between September and October.

If you have an impound/escrow account set up with your lender, they will make these tax payments for you.



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## SUPPLEMENTAL PROPERTY TAX

Unlike the regular property tax bill, supplemental taxes result from reassessments in property value that occur during the year. Change in ownership (due to sale of property, death, transfers between spouses, etc.) or completion of construction will trigger the county to do a reassessment, which becomes a lien on the property. Events that occur between January 1 and May 31 result in two supplemental bills:

- ❖ The first bill is for the balance of the current fiscal year
- ❖ The second bill is for all of the upcoming fiscal year

Supplemental Bills cannot be paid with an impound/escrow account.

After a sales transaction, Buyers can expect their supplement bill(s) within their 1st year of ownership.

## UNSECURED TAX

Unsecured tax is not secured by real property and is the responsibility of the person or entity assessed for the tax.

When it comes to a real estate transaction dealing with real property, Sellers can typically expect an unsecured tax bill, after closing, for prorated escape and supplemental tax on real property that has changed ownership (typically due to a



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recording of an Affidavit of Death or Interspousal Transfer Deed through an escrow closing OR due to a quick flip of the property).

If the unsecured tax is not paid by the delinquent date (date can be found on the bill), the county will record a Certificate of Lien, which will be attached to the person or entity, not any specific property.

If an unsecured tax lien is on title during the escrow period, the Escrow Holder is required to reach out to the county for a demand and release of lien. Unsecured Taxes are never prorated during escrow and will always be paid in full by the responsible party per the county's demand statement.

### PRORATING PROPERTY TAX IN ESCROW

#### ❖ What are Prorations?

- Costs that are properly distributed or divided proportionately. The purpose of a proration in a sale escrow is to fairly divide property expenses such as taxes and association dues between the Seller and Buyer so that each party is paying only for those days which they actually own the property.

#### ❖ How are Secured Taxes handled in escrow?

- Taxes will be paid current by the Seller, including any delinquent fees, defaulted taxes, or escaped taxes.



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Any delinquent fees accrued by the Seller will not be included in the property tax prorations and will not be the responsibility of the Buyer to pay. The Escrow Holder is only responsible for making tax payments that are due during the time period that the Seller owns the property. If a Buyer or Lender would like a future tax bill to be paid, it will be charged to the Buyer.

### ❖ **How are Supplemental Taxes handled in escrow?**

- Any unpaid supplemental tax bills which are open and due during the escrow period are charged to the Seller at close of escrow. If the supplement bill(s) are for a prior fiscal year, the bill will not be prorated. If the supplemental bill(s) are for the current fiscal year, those will be prorated through escrow.

If a supplemental bill is released after the close of escrow for the change in ownership from a previous owner, the county will prorate the bill themselves and will issue the previous owner an unsecured tax bill and the current owner will only be responsible for the portion of time they have owed the property.

The Escrow Holder is not responsible for paying any supplemental bills posted after the close of escrow.



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## ❖ How are tax prorations calculated?

- If the tax bill is out, prorations are calculated based on the installment we are currently in, charged to the Buyer and credit to the Seller. Example:  
Close of Escrow is December 7, 2025  
Escrow Holder will charge the Seller the 1st Installment Property Taxes (if unpaid)  
Seller is credited and Buyer is debited from December 7, 2025 to January 1, 2026
- If the tax bill is not out yet, prorations are calculated based on the previous tax year amount, charged to the Seller and credit to the Buyer. Example:  
Close of Escrow is September 10, 2026  
Seller is debited and Buyer is credited from July 1, 2026 to September 10, 2026



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