

Property Taxes

All property owners must pay general real estate taxes. These taxes are also called “ad valorem” taxes because the amount of the taxes varies, according to the value of your property. General real estate is levied for the operations of various governmental agencies and municipalities. Other taxing bodies may include school districts, drainage, water, sanitary, and recreation districts.

Properties are valued or assessed by the county assessor. The land and buildings are usually assessed separately. If an owner feels the assessed value of their property is incorrect, they can present their objection through the local taxing authority on an annual basis.

There are two ways to pay your property taxes:

1. Monthly
2. Bi-Annually

Paying Property Taxes Monthly

If you select this option, your annual tax amount will be divided into 12 equal payments that will be added to your mortgage payment. Your mortgage company will require you to set up an impound account at the close of escrow. The dollar amount that you put into the account will be equal to between 4-6 months of property taxes. (The exact amount is determined by your lender.) If you put down less than 10% on the purchase of your home, the lender may require that you pay your taxes monthly.

Paying Property Taxes Bi-Annually

The tax year is divided into two sections. July 1st - December 31st and January 1st - June 30th. If you select this option, your annual tax amount will be divided into 2 equal payments. You will receive one tax bill on November 1st that is considered late after December 10th and another on February 1st that is late after April 10th. **With this option, it is important to understand that the county tax assessor tends to run a little behind with respect to home sales. The first one or two tax bills that you receive could be based on the old tax base, (the value the previous owner was taxed at), as opposed to the value that you paid for the home. Do not get excited, your total taxes will be between 1% - 1.25% of your purchase price. When the county catches up on things, they will send you a “Supplemental Tax Bill” to make up for their error.**

Which Option Should You Choose???

Accountants typically recommend paying your taxes bi-annually. The idea is “Why give the government your money earlier than you have to so they can make interest on it?” If you are disciplined enough to put aside money for taxes each month, then you can benefit from the interest. Ultimately, you need to select the payment option that makes the most sense for your financial situation.