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Supplemental Property Taxes, Explained

The surprise tax bill every California buyer should budget for.

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WHY THE BILL SHOWS UP

Prop 13 held the seller's assessed value to 2% growth a year, so it sits far below your price. The county reassesses at what you paid, and a one time supplemental bill collects the difference for the rest of the tax year (July 1 to June 30). It comes straight to you, not through escrow.

EXAMPLE: $1,000,000 CALIFORNIA PURCHASE

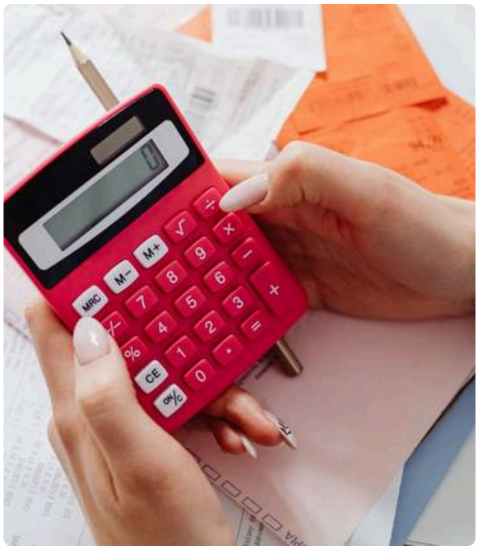
LINE ITEM	AMOUNT	HOW IT IS FIGURED
Seller's assessed value	**$609,500**	$500,000 ten years ago, plus 2% a year
Increase being taxed	**$390,500**	$1,000,000 price minus $609,500
Full year supplemental	**$4,881**	At 1.25%, a typical rate once local bonds are added
Close in August	**$4,068**	10 of 12 months left in the tax year
Close in October	**$3,254**	8 of 12 months left
Close in January	**$2,034 + $4,881**	5 months left, plus a full next year bill
Close in April	**$814 + $4,881**	2 months left, plus a full next year bill

WHY JANUARY TO MAY BUYERS GET TWO BILLS

The county sets next year's regular bill in spring at the old owner's value. Close after January 1 and a second supplemental bill covers the whole next year.

PLAN FOR IT

- One time catch up bill, only because you bought
- It does not repeat: next year you just pay the regular bill
- Arrives 3 to 6 months after closing, sometimes later
- Paid by you directly, not from escrow
- Two installments, due dates printed on the bill



Let's run your real numbers.

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