

Understanding Supplemental Property Tax Bills



WHAT ARE SUPPLEMENTAL PROPERTY TAX BILLS?

They reflect the difference between the assessed value of the property before the sale and the assessed value after the sale. They are sent because Proposition 13, approved by California voters in 1978, limits the basis for property tax assessments to the last sale price, plus a maximum of two (2) percent per year to reflect increases in inflation.

With a 2005 annual increase of 19 percent in California home values, newly purchased homes often have a “stored up value”. This greater value is reflected in the new assessments when the home is sold. The supplemental tax bill assesses the tax owed by the new home buyer on the difference between this “stored up value” and the assessed value prior to the sale.

California property tax law requires the assessor to revalue the property at the time the ownership of the property changes. Because of this law, the buyer may receive one or two supplemental tax bills, depending on when the loan closes.

HOW MANY SUPPLEMENTAL PROPERTY TAX BILLS MAY A NEW HOME BUYER EXPECT TO RECEIVE?

A new home buyer may expect to receive one or two supplemental property tax bills, depending upon the date the loan closes and its proximity to July 1, the beginning of the fiscal year.

If the loan closes between January 1 and May 31, the new home buyer will receive two supplemental tax bills: the first covers the portion of the current fiscal year remaining after the sale date, and the second covers the entire amount of the next fiscal year. If the loan closes between June 1 and December 31, the new home buyer will receive one supplemental tax bill covering the portion of the fiscal year after the sale date.