

Property Tax Adjustment when buying and selling a home



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When selling a home, the seller is responsible for the property taxes for the subject property from January 1 of the current year until the closing date. The buyer is then responsible for the property taxes from the day after the closing date to December 31 of the year.

The lawyers on the transaction will assist in the adjustment of the property taxes on closing. Depending on the time of year, it will mean a credit to either the buyer or the seller of the property.

The City of Ottawa bills property taxes twice a year. The interim property tax bills are sent out in February and payment is due in March. The final property tax bills are sent out in May and payment is due in June. The City of Ottawa also has an option for residents to pay monthly over a 10 month period from January until October. Depending on the time of year and the way that the seller pays their property taxes, the lawyer will arrange the credit to either the buyer or the seller. If your mortgage provider pays the property taxes on your behalf, the credit operates the same as if the owner was paying their property taxes twice a year to the City of Ottawa.

Selling/ Buying between January and the beginning of March

Paying Twice a Year: if the seller pays twice a year and sells in January, the current year's interim tax bill would not have been issued. Therefore, the lawyers will estimate the property taxes based on last year's property taxes and the seller will give a credit to the buyer for the days the seller owns the property from January 1st to the closing date.

Paying Monthly: If the seller pays monthly and the seller has already paid the January installment of their property taxes for a January closing,

the lawyers will take their payment into consideration. For example, if the seller's share of the property taxes are \$45 but the seller paid \$110 for January's property taxes, the purchaser would reimburse the seller \$65 since the seller overpaid on their portion of the property taxes for the year.

Selling / Buying Between Mid-March and Mid-June

Paying Twice a Year: If the seller pays twice a year and sells between mid-March and Mid-June, the seller will have to pay the full amount of the interim property tax bill. Then the purchaser will reimburse the seller for the length of time that the seller no longer owns the property. For example, the seller paid \$2000.00 for their interim tax bill. If the seller is selling on April 29, the seller owns the property for 119 days, which is \$1,300.55. The purchaser would then reimburse the seller \$699.45.

Paying Monthly: Even if the seller pays monthly, the City of Ottawa still records what the interim tax bill for the property would be. The seller would have to pay the full amount of the interim bill before closing and then the purchaser would reimburse the seller for any overpayment. For example, if the seller is selling on April 29th and has made four

monthly payments totalling \$1200.00 but the total interim bill is \$2000, the seller would pay the difference of \$800 to the City of Ottawa before the closing date. The purchaser would reimburse the seller \$699.45 on the closing date for the amount the seller has overpaid for their share of the year.

Selling / Buying Between Mid- June and end of December

Paying Twice a Year: If the seller pays twice a year, the seller would pay the final tax bill in full and then the purchaser would reimburse the seller for the portion of the year that the seller no longer owns the property.

Payment Monthly: The seller will have to find out from the City of Ottawa what their final property taxes are for the year. The full amount will have to be paid prior to closing. The purchaser will then reimburse the seller for the days they do not own the property.

The lawyers working on your real estate transaction will assist you with the credits owed to either the buyer or the seller. Your lawyer will want confirmation of payment of your property taxes and a copy of your most recent property tax bill, so keep those documents close at hand.

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