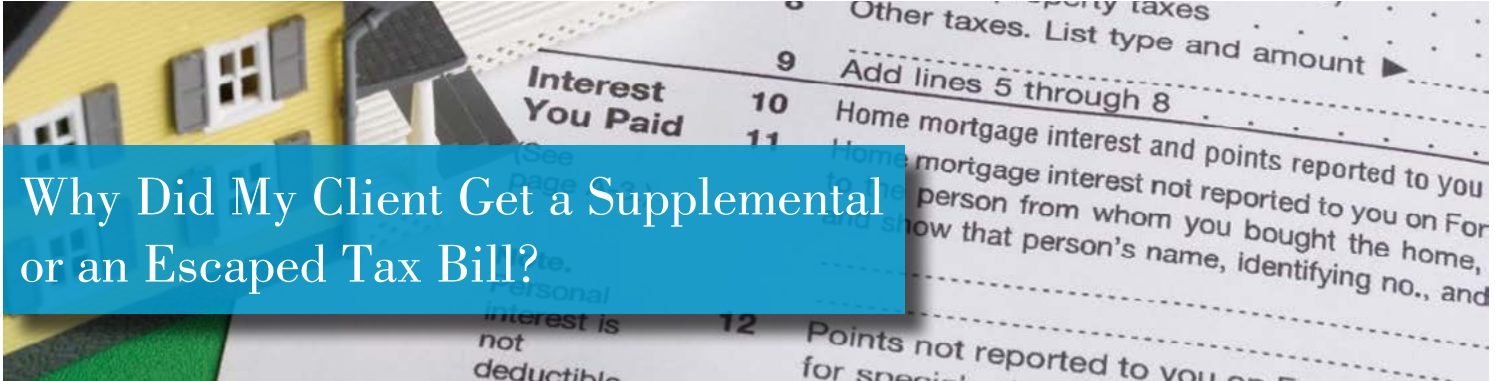


title talk

We Know Title. We Know Real Estate. We Know California.

with **Dave Erb**,
President

and **Bill Thomas**,
VP, and Advisory Title
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Why Did My Client Get a Supplemental or an Escaped Tax Bill?

November 2022 Edition

One of the most misunderstood tax bills issued is the Supplemental Tax Bill. When a Title Closing occurs, there is an exception to the Policy of Title Insurance for the issuance of a future Supplemental Tax Bill. This is because of the Proposition 13 Law. Pursuant to the Proposition 13 Law, a Tax Assessor can only increase your taxes annually by a maximum of 2 percent. However, taxes can be increased at the true assessed value if one of two things occur: One is A Change in Ownership (transfer of title) or, new construction (as disclosed by permits being requested).

What is not easy to predict, is when the bill will be issued. The bill can be issued within a few weeks or it could take over six months. It depends on the individual county and the workload of the County Assessor. The County Assessor will appraise the property based on the sale or improvement by construction. The Supplemental bill represents the difference between the old value and the new value.

A common question is “didn’t my taxes get prorated through the title and escrow closing?” The answer is yes, but the taxes are only prorated based on the current value of the property. Typically, secured property taxes are prorated between the buyer and the seller during escrow. **As a new property owner, you are responsible for any property taxes that were not paid as of the time escrow closed.** It is your responsibility to obtain the Annual Secured Property Tax Bill.

Another misunderstood tax bill is an escaped tax bill. This is due to an escaped assessment. An escaped assessment is a correction to a property’s assessed value that was not added to the prior year’s Annual Secured Property Tax Bill. The most common reasons for an escaped assessment are unreported constructions or a change in ownership due to a death. When there is, previously, unreported construction, the Assessor can reassess the property as far back as up to four years in many counties. Also, when an unreported change in ownership happens, the executor of the estate may not have notified the Assessor in a timely manner. For unrecorded transfers the Assessor can go back as far as to the date of the transfer.

If your title transaction has any of these bills, please reach out to your sales representative for assistance and guidance.

