Typically, in Montgomery County, the first bill becoming due after the closing date is prorated. What is important to note is that the "next" bill is actually for a time period prior to closing. This is because taxes are six months in arrears in Ohio. Or to express it another way, typically in Montgomery County and parts of Greene County, the purchasers will be paying a prorated share of taxes for a time period that they did not live in the property.

*Taxes are considered current if the most recent bill is paid. Taxes are never required to be paid beyond the current bill by the county or state.*

Usually, when the purchasers receive the first tax bill in their new residence, they discover it is for a time period way before they purchased the property and subsequently feel something was mishandled with the tax proration at closing.

Actually, at closing, the purchasers receive a prorated share of taxes from the seller. For instance, if a closing is at the end of February, the sellers, under the terms of the standard purchase agreement, and using the Montgomery County method of proration, will owe to the purchasers taxes for 58 days (counting January 1 through February 27, buyer pays for day of closing). This amount will be credited to the purchasers at closing. Then, when they receive a tax bill in June, they will pay the full amount of that bill. The purchasers will be paying the equivalent balance of the six-month period (counting March through June). But, again, this June bill relates to the previous July through December as far as the state and county are concerned.

Proration using the Montgomery County method is referred to as the "short" proration. Simply put, the next bill due after closing is prorated. This is the traditional method used in Montgomery County.

*However, taxes, as with all aspects of a purchase agreement are negotiable* between the sellers and purchasers. Taxes may be negotiated differently. In other counties, it is more
typical not to use the Montgomery County method (short proration) but to have the taxes prorated beyond the next bill due.

In such cases, traditionally in Greene County, the agreement reached between buyers and sellers is to have the sellers pay taxes for the actual days they owned the property. This is accomplished by having the sellers pay the entire "next" bill after closing and then prorating the bill becoming due six months after that.

Using our previous example of a February 28, 2001 closing, the sellers would pay the June 2001 bill in its entirety and then the December 2001 bill would be prorated between sellers and buyers, with the sellers paying approximately 59 days and buyers the remaining 122 days of the six-month period. This is commonly referred to as the "long" proration.

With the long proration, the sellers are actually paying taxes before they are due. This may arise because the buyers are not comfortable with the concept of taxes in arrears. It is reasonable to assume that sellers and purchasers will thoroughly examine all terms and conditions of an offer when being asked to pay taxes.

To summarize, there are two common ways of prorating taxes - the short proration (Montgomery County method) and the long proration.

**Short:** Prorating the "next" bill will fulfill all requirements of having taxes current, but it relates to six months in arrears.

**Long:** Prorating to actual day of ownership, taxes collected in advance of the bill due. The seller pays the next bill due after closing and prorated share of the bill after that.

Finally: When you sort this all out, you will realize that both methods have the same end result. If you purchase and sell using the same method, either long or short, you will be paying taxes exactly for the number of days you owned the property. The difference is that in the short proration, the number of days does not correspond to the actual days (it’s shifted six months in arrears). In the long proration, it corresponds to the actual days you owned the property.

What is important is that there is a mutual agreement and understanding between the parties regarding the method of tax proration, no matter what method is used. Also important is that the closing is conducted consistent with the terms of the purchase agreement.

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