

## **Adjusting for Property Taxes** **(New Homeowners):**

In BC, property taxes are payable to the applicable City or Municipality by the 1<sup>st</sup> business day after July 1 for the entire calendar year. For example, property taxes payable in July 2023 will cover property taxes from January 1, 2023 through December 31, 2023. Accordingly, when a property is purchased, an adjustment must be made to ensure that the Buyer and Seller are only responsible for the property taxes payable with respect to the portion of the year that they own the property.

If a property is sold before the property tax due date, the property taxes will normally be outstanding and will be the responsibility of the Buyer to pay when they come due. At the time of closing, the Seller will provide the Buyer with a credit equivalent to the Seller's share of property taxes for the portion of the year that the Seller owned the property. If the actual property taxes payable are not known (ie. the property tax notice has not been issued by the applicable taxation authority), the Seller's pro-rated share of the property taxes will often be based on the previous year's property taxes plus 5% or some other agreed upon amount as the estimated annual increase in property taxes.

If a property is sold after the property tax due date, the property taxes will normally be paid in full (including penalties, if any) by the Seller. At the time of closing, the Buyer will provide the Seller with a credit equivalent to the Buyer's share of the property taxes for the portion of the year that the Buyer will own the property. In this scenario, the actual property taxes payable for the year. Accordingly, there is no need to estimate the annual increase in property taxes for the property as they would be known at that time.

The adjustments will also take into consideration the amount of pre-paid property taxes and/or a homeowners' grant claimed or to be claimed, if applicable. The adjustment will be found on the Buyer's Statement of Adjustments and Seller's Statement of Adjustments. In the first scenario (ie. the property is sold before the property tax due date), the Buyer will get a credit and the Seller will get a debit. In the second scenario (ie. the property is sold after the property tax due date), the Seller will get a credit and the Buyer will get a debit. In other words, no separate sum of cash changes hands between the parties but the amount payable to the Seller by the Buyer will be impacted.

If you have arranged that your Lender pays for your Property Tax in your behalf, your Lender will remit those funds collected from you to the City or Municipality.

For the Property Tax Home Owner Grant, you must apply with your City or Municipality each year to receive it. Property Tax Statements together with the Home Owner Grant Applications are mailed to the registered homeowner by end of May each year. Only one grant can be claimed for a property each year.