New Construction Pro-rate example

Mr. Smith, the builder begins construction on a new residential home on August 1, 2015. On October 1, 2015 the assessor visits the property and determines that the structure is 40% complete. When the Certificate of Occupancy is issued the total value of the property will be $300,000. Land value is $60,000 and the improvements total $240,000.

The calculation is as follows:

$300,000 x 40% = $120,000 value. x 70% assessment ratio = $84,000 assessment x mil rate of 32 expressed as 0.032 = **$2,688** tax bill issued in July 2016 and paid in two equal installments. July 2016 & January 2017.

Mr. Jones now purchases the property and closes with the date of the C/O of February 15th, 2016. This translates to 62.5% or 228 days of 365 days total in the assessment cycle remaining until the end of September 30th, 2016.

The assessor has already captured $120,000 in value or $84,000 in assessment. The calculation is: $60,000 land & $60,000 of partial improvements.

Therefore, $300,000 - $120,000 already taxed = $180,000 of remaining improvement value that is to be pro- rated based on the C/O date:

$180,000 value x 70% x .625 prorate factor = $78,750 x 0.032 mil rate = **$2,520** additional tax due.

Total tax paid is $2,688 + $2,520 = $5,208 tax for the 2015 Grand List.

If the structure were 100% complete on October 1, 2015 the tax would be:
$300,000 x 70% = $210,000 assessment x 0.032 mil rate = <u>$6,720</u>. Annual tax paid in two equal installments.

The difference in tax as a result of the proration is: $6,720 - %5,208 = $1,512 tax NOT charged to buyer or seller.

Another simpler example
On Oct 1, 2014 a new house was only partially completed. The assessor determines that the property should have a land assessment of 20,000, and a building assessment of 50,000 for a total of 70,000. On December 13, 2014 the house is completed and a C/O issued. The assessor determined a completed assessment for this property at 20,000 for the land and 60,000 for the building for a total of 80,000. The pro-rated assessment would be 60,000 – 50,000 = 10,000 x pro-rate factor of .80 = 8,000. In July 2015 a tax bill for 70,000 x mil rate and 8,000 x mil rate.