

PRORATION OF REAL ESTATE TAXES

The City of Dover is not involved with the proration of real estate taxes between a buyer and a seller of property. The Tax Assessment Office and the Tax Collection Office will not provide taxpayers with tax proration figures. The Tax Collection Office will provide information on outstanding tax balances. It is the taxpayer's responsibility to make sure that all real estate taxes are fairly prorated during a real estate closing.

The following policy document was produced by the Strafford County Bar Association in August, 1984, in response to the City's decision to change its fiscal year. The Strafford County Bar Association has given the City of Dover permission to publish this document on its web site.

Questions regarding the proration of taxes should be directed to your attorney or real estate agent.

POLICY STATEMENT

The Real Estate Tax Committee of the Strafford County Bar Association recommends the adoption of the following policy with respect to the apportionment of real estate taxes in Dover, between the buyer and seller of real property:

Taxes represented by the tax bill due in December shall be apportioned for the period from October 1 through March 31. Taxes represented by the tax bill due in June shall be apportioned for the period from April 1 through September 30.

It is essential to apportion taxes between the buyer and seller of real estate on a uniform basis so that buyers, sellers and mortgage lenders can properly understand their respective obligations. The apportionment of real estate taxes is a matter of agreement between the buyer and the seller. The municipality and the state do not have an interest in the issue of apportioning taxes between the buyer and the seller, and therefore take no position on this matter. The buyer and the seller are free to agree to any apportionment method which they may select. The method of apportionment provided for in this policy statement is strongly recommended to all buyers and sellers of real estate, since the uniform application of this policy will prevent inequity and confusion.

The recommended apportionment policy is based upon the tax assessment year. New Hampshire Revised Statutes Annotated, Section 76:2 provides that the property tax year shall be April 1 to March 31, and all property taxes shall be assessed on the inventory taken in April of that year. Taxes are based upon the valuation which the property had as of April 1. Exemptions from tax such as the veterans' (RSA 72:28), the elderly (RSA 72:39, 43-E), for service connected total disability (RSA 72:35), and other similar exemptions, are determined by the owner of the property as of April 1. The practice throughout the State of New Hampshire has been to apportion taxes based upon the assessment year of April 1 through March 31, regardless of the particular fiscal budgetary year followed by any particular municipality.

When the City of Dover changed its budgetary process from a calendar year to a fiscal year, it was required by state authorities to adopt an eighteen (18) month budget which changed the accounting method used by the city to allocate real estate taxes received. RSA 31:94-a. For purposes of the state mandated accounting method, the taxes assessed by the city as of April 1, 1982, were required to be one and one-half (1 1/2) times the anticipated amount needed to operate the city for one year. The taxes thus raised actually financed city operations for a period of eighteen (18) months, but nevertheless, for accounting purposes were treated as having been raised during a single assessment year. The amount of tax revenues actually required by city operations for a given six (6) or twelve (12) month period during this time was substantially the same as for corresponding periods of time, both before and after the transition period. Similarly, the amount of taxes actually paid by the individual taxpayer for each semi-annual bill remained approximately the same. Although the revenues needed and the tax bills paid remained approximately equal throughout this period, for accounting purposes the city nevertheless was required to treat the matter as if eighteen (18) months of taxes were attributable to a single twelve (12) month assessment year. Chapter 28, 1982 Session Laws. The taxpayer should understand that the six (6) month tax bill which he pays in June and December funds the city operations for a six month period. The policy described above recognizes that a seller of real estate who has paid his taxes before, during and after the eighteen (18) month transition budget should be credited with the payment of those taxes when he sells his property.

This policy of apportionment of taxes at the time property is sold is supported by the New Hampshire statute which required that property tax exemptions be prorated during the eighteen (18) month transition budget to insure that every qualified taxpayer continue to receive the full benefit of the statutory exemptions. RSA 31:94cc. The full proportional amount of each exemption was applied to each six month tax bill during and after the eighteen month transition budget. For similar reasons, the taxpayer should be credited with the full amount of the taxes which he has in fact paid, regardless of the state mandated changes in the city's accounting methods.

This apportionment policy also maintains uniformity with the tax apportionment practices throughout the State of New Hampshire. A person who sells property in another town and moves to Dover, or who sells Dover property and moves to another town in the State of New Hampshire will be protected under this policy since taxes should be apportioned consistently in both communities. The uniform application of this policy will also protect a buyer and seller of Dover property, since it will ensure that taxes will be consistently apportioned on the same basis regardless of the time of transfer. Other communities in the State of New Hampshire which have adopted the fiscal budgetary year and have gone through the eighteen (18) month transition period have continued to apportion property taxes between the buyer and seller on the basis reflected in this policy. When the City of Portsmouth adopted an eighteen (18) month transition budget in 1971, the consensus of opinion was that real estate taxes should be apportioned between the buyer and seller on the basis outlined in the policy recommended by the Strafford County Bar Association Real Estate Tax Committee.