

Homestead Exemption Issue Example

Buyer qualifies for 50% homestead exemption, but seller does not.

House worth \$250,000

Full rate taxes: \$31.89

Rate with 15% exemption: \$27.11

Rate with 50% exemption: \$15.95

Example 1: September 1, 2012 closing

2012-13 tax year

Buyer pays 10 months of taxes with 15% exemption.

Tax bill = $10/12 \times 250 \times \$27.11 = \$5,647.92$

Buyer should have paid 10 months of taxes with 50% exemption.

Tax bill should have been: $10/12 \times 250 \times \$15.95 = \$3,322.92$

Tax penalty = $\$5,647.92 - \$3,322.92 = \$2,325.00$

Buyer receives tax exemption for 2013-14 tax year.

Example 2: March 1, 2012 closing

2011-12 tax year

Buyer pays 4 months of taxes with 15% exemption.

Tax bill = $4/12 \times 250 \times \$27.11 = \$2,259.17$

Buyer should have paid 4 months of taxes with 50% exemption.

Tax bill should have been: $4/12 \times 250 \times \$15.95 = \$1,329.17$

2011-12 tax penalty = $\$2,259.17 - \$1,329.17 = \$930.00$

2012-13 tax year

Buyer pays full year of taxes with 15% exemption.

Tax bill = $250 \times \$27.11 = \$6,777.50$

Buyer should have paid full year of taxes with 50% exemption.

Tax bill should have been: $250 \times \$15.95 = \$3,987.50$

2012-13 tax penalty = $\$6,777.50 - \$3,987.50 = \$2,790.00$

Total tax penalty = $\$930.00 + \$2,790.00 = \$3,720.00$