

What are Prorations?

In a real estate transaction, there are certain costs and fees that are divided proportionally between the buyer and the seller of the property. These are called "Prorations" and can include property taxes, homeowners association (HOA) dues and fees, rental income, etc...

Prorating Property Taxes

The most common prorations at closing are property taxes. Property taxes are typically paid at the end of the year for which they were assessed and can be paid as early as October 1st or as late as January 31st of the next year without incurring a penalty.

In Texas, if a property closes before October 1st, the seller will be charged from January 1st through the closing date and the buyer will be credited for the same period. This is shown in the illustration below, on line 13 of the third page of the Closing Disclosure. The seller is crediting the buyer for property taxes from January 1st through February 3rd, which is the closing date of this transaction. Once the new tax amounts for the year are



released around October, the buyer will be responsible to pay the full year's taxes because they have already received a credit from the seller at closing. If a closing occurs after October 1st, title companies will typically charge each party their prorated portion of the property tax due at closing and pay the tax authority directly from the closing. This allows the title company to feel safe when insuring property taxes have been paid.

L. Paid Already by or on Behalf of Borrower at Closing	\$624,823.18	N. Due from Seller at Closing	\$378,559.53
01 Deposit		01 Excess Deposit	
02 Loan Amount	\$321,000	02 Closing Costs Paid at Closing (3)	\$34,002.50
03 Existing Loan(s) Assumed or Taken Subject to		03 Existing Loan(s) Assumed or Taken Subject to	
04 Loan Amount 2nd Lien	\$300,000.00	04 Payoff of First Mortgage Loan	\$340,733.85
05		05 Payoff of Second Mortgage Loan	\$0.00
Other Credits		06 Option Fee	\$10.00
06		07	
07		08	
Adjustments		09	
08 Adjustment for Owner's Policy Paid by Seller	\$3,268.00	10 Adjustment for Owner's Policy Paid by Seller	\$3,268.00
09 Option Fee	\$10.00	11	
10		12	
11		13	
Adjustments for Items Unpaid by Sellers		Adjustments for Items Unpaid by Sellers	
12 City Property Taxes		14 City Property Taxes	
13 County Property Taxes 01/01/2017 thru 02/03/2017	\$545.18	15 County Property Taxes 01/01/2017 thru 02/03/2017	\$545.18
14 Assessment Taxes		16 Assessment Taxes	
15 School Property Taxes		17 School Property Taxes	
16 MUD Taxes		18 MUD Taxes	

Credit From Seller

