



How 2015 Property Taxes Affect **YOUR 2016 CLOSING**

***Land Title
can provide
you with the
complete
escrow
instructions
that are
needed.***

Two Options for Paying Property Taxes

The 2015 real property taxes become payable in 2016. There are two options available for paying these taxes in Colorado. The first option is to pay the entire amount of the 2015 taxes in full on or before April 30, 2016. The second option is to pay the taxes in two installments—the first installment on or before February 28, 2016 and the second installment on or before June 15, 2016.

Property Taxes and Your Closing

Depending on the time of year that a sale closes and which method the lender uses to pay taxes, Land Title will follow one of several procedures for collecting and paying the 2015 taxes at closing.

If You are Closing Early in 2016

For closings that take place during the first couple of weeks of 2016, before the counties have certified the property taxes, Land Title will normally accept an escrow from the Seller for 120% of the taxes due for 2015.

Land Title can provide you with the complete escrow instructions that are needed. Once the taxes are certified and the actual tax payable is available, the 2015 taxes will be paid from the escrow, and any overage will be refunded to the Seller.

The Lender's Procedure for Handling Property Taxes

Lenders also play a role in how the title insurance company determines what taxes to collect at closing. At this time of year, the new lender typically will request that we handle the payment of the 2015 taxes in one of two ways:

1. The first option is to collect from the Seller (by means of a debit entry on their Seller's Settlement Statement) the entire amount of taxes due for 2015 and remit that amount to the County Treasurer prior to April 30, 2016.
2. The second option is for Land Title to pay only the first half of the 2015 taxes.

When Paying Only the First Half of the 2015 Taxes

In the event that the new lender requests that Land Title pay only the first half of the 2015 taxes to the County Treasurer, Land Title usually follows this procedure:

1. The Seller will be debited and the Buyer credited for the entire amount of 2015 taxes.
2. The Buyer will then be debited for the first half of the 2015 taxes and Land Title will pay this amount to the County Treasurer. The lender will collect a tax escrow from the Buyer and will pay the second installment when it comes due.
3. The Buyer and Seller will both execute a Memorandum of Understanding Regarding Payment of 2015 Real Property Taxes. This document explains to the Buyer and Seller that Land Title has paid the first half of the 2015 taxes in accordance with the instructions from the Buyer's lender and that the lender will be remitting the second half of the taxes on or before June 15, 2016.

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Taxes Disbursed but Not Received by the Treasurer

By the first part of February 2016, parties to a real estate transaction often encounter the problem of what to do when the payoff statement indicates the 2015 taxes (either all or half) have been disbursed from the escrow account by the existing lender but have not yet been received by the County Treasurer. When this is the case, these options are available:

1. Land Title will accept an escrow of at least 110% of the 2015 taxes, depending on the county, from the Seller until such time as payment of the taxes can be confirmed with the County Treasurer. Keep in mind that by the time payments can be confirmed, taxes may be past due.
2. On streamline refinances where escrows are being transferred to the new loan to pay for 2015 taxes, an indemnity letter may be obtained from the lender stating that the lender will be responsible for the payment of the 2015 taxes.
3. Land Title will accept an indemnity from the lender (who paid the taxes) stating that the 2015 taxes have been paid in full (or that the appropriate half has been paid). In this case, Land Title will close without collecting a duplicate payment from the Sellers.
4. The last option is for Land Title not to pay the taxes and have this shown as an exception on Schedule B-2 of the title commitment and Schedule B of the owner's title policy. The owner's title policy will be issued insuring only that the 2014, but not subsequent years' taxes have been paid. New lenders requesting a mortgagee's policy, in most cases, will not accept this option.

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If you have any questions or need more information regarding these procedures, please contact us today.

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