Fidelity National Title

"Secured" vs. "Unsecured" Taxes

In Your Escrow Closing

It is important to understand that the State of California has different state agencies for tax management such as assessment and collection.

AGENCIES AND THEIR ROLES:

County Tax Assessor: Determines the value of the property based on assessment.
County Auditor-Controller: Receives the assessment information from the Assessor's office determines the actual amount of taxes to be paid based on the applied associated tax rate. . The auditor-controller is also responsible for the allocation of funds to the local taxing agencies, schools, approved bonds, special districts, cities, etc.)
County Tax Collector: Issues the tax bill and collects the payments
California Dept of Tax & Fee Administration: Reviews appeals against issued assessments

TAX TYPES DEFINED:

In simplified terms, there are two main tax types:

- **Secured Taxes** – Taxes that are secured on the real property itself
- **Unsecured Taxes** – Taxes that are levied against anything other than real property. This includes personal property tax, which is levied against business' equipment, boats, and aircraft.

SECURED TAXES:

First of all, "secured" property is defined as any property that cannot be moved, such as homes or land. Proposition 13, passed in 1978, limits the tax rate to 1% of a property's current assessed value, plus any voter-approved bonds and assessments. The proposition also states that property values may not increase more than 2% annually, based on the California Consumer Price Index. The property may be reassessed when it changes owners or undergoes new construction. **During a change of ownership, your escrow officer or lender may estimate the taxes at 1.25% to 1.5% of the sales price. Some areas may be higher.**

All owners of business, industrial, agricultural, and residential properties must pay property taxes unless exempted by state law. Lessees must pay property taxes if they are leasing real estate from an owner whose property is exempt. The Assessor's office periodically receives notification of the local transfers of ownership which triggers a re-assessment. You can generally expect it to take about four months for the re-assessment to be completed and the County Tax Collector to send out a bill for the reassessments through supplemental tax bills. Please keep in mind that the tax supplement is in addition to the regular taxes that were originally assessed and may also affect your new escrow impound account.

UNSECURED TAXES - PERSONAL PROPERTY TAXES - Unsecured taxes are those assessed against movable (personal) property and generally applies to things such as equipment or assets used in the operation of a business. If you own a business and the cost of the furniture, fixtures, equipment, exceeds $100,000, then you will need to declare their values determined as of January 1 of the year on a FORM 571-L which is the "Business Personal Property Statement". The form is due no later than April 1. The Assessor will determine your next year's unsecured personal property tax amounts based on the 571-L form.

UNSECURED TAXES – OTHER - There are times when escaped property taxes come out when the real property has already been sold. These escaped assessments, instead of being secured on the real property because the property has already changed hands, will be put on the unsecured tax roll against the previous owner. This most often will occur in relation to new construction where the builder's taxes are re-assessed based on completion of the building but the property was sold immediately after completion. There may be other reasons for the escaped assessments, and they will be put on the unsecured tax roll, which means that will come up whenever this taxpayer's name is researched in the county index files.

For the best in service, remember to always insist on Fidelity National Title.

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