

So How Do Property Taxes Work in Oregon?

In case you didn't already know it, property taxes in Oregon are weird. If you're having a hard time understanding how lenders calculate the amount of taxes to be collected at closing you're not alone.

Our tax year in Oregon runs from July 1st to June 30th; however, taxes are due by November 15th. When your closing date is between November and June you'll need to pay the seller prorated taxes for the amount of taxes they have paid from your closing date through June 30th. As an example, if your closing date is March 1st, you'll owe the seller approximately 4 months of taxes (March 1 to June 30).

When your closing date is after June 30th but before Sept 1 the seller will owe you money from July 1 to the day before your transaction is funded and closed. For example if your closing date is August 1, the seller will owe you approximately one month (July 1 to July 31).

Things get really strange when your closing date is between Sept 1 and approximately October 15th. During this time property taxes are a lien against the property but no one knows for how much. Because the property taxes will be a lien lenders will require that the taxes be paid even if you don't plan to have taxes in your monthly payment. The title company will "hold and pay" the property taxes but since your closing date is before the taxes are actually known they will hold approximately 110% to 115% of the previous year's taxes. Whatever amount is collected that is larger than what is needed will be reimbursed to you once the title company pays the taxes for you. The title company will charge a holdback fee ranging from \$50 to \$100 to provide this service.

Everything listed here is for prorated taxes only. In addition to prorated taxes lenders will collect tax "reserves" if you have taxes in your monthly payment. The amount that is collected for reserves will depend on the month that your loan closes. The lender will have to have a full twelve months in your escrow account by October. Your first payment date is typically the first day of the month, two calendar months from your closing date. As an example, if your closing date is March 15th, your first payment date will be May 1st. The lender will need to collect 7 months of reserves toward taxes in this example since they will only have 5 months worth of taxes collected and a full 12 months is required to pay taxes in full.

With the exception of loans closing during September through October 15 the amount collected between prorated taxes and reserves will equal 10 months.

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