

# A Reminder of Supplemental Taxes

Supplemental Tax, which are sometimes referred to as the "Gap Tax", are confusing and are sometimes an unpleasant surprise to the buyer of real estate. Advance disclosure of the supplemental tax and an approximate estimate of the amount of the tax can be preferable to a surprised and unhappy client when they receive future tax bills.

Title and escrow people are frequently called upon to explain these bills to the new Owners (which we are certainly willing to do) but *advance* disclosure including an estimate of the probable amount of the bill would be preferable.

The C.A.R. Deposit Form and the Preliminary Title Report constructively notify the Buyer that a *Supplemental Tax Bill will be issued* but they could be overlooked and an estimate of the amount is not given. The following formula can be used to get a reasonable estimate of the Supplemental Tax amount.

New Tax	-	(1-1/4% of sales price)
<u>- Old Price</u>	-	(Take it from property tax bill)
Gap	-	(Highest possible supplemental bill)
<u>X Proration</u>	-	(See factors) -----
Supplemental Tax	-	(Approximate <sup>*</sup> )

If the effective date is:	
August 1st .....	.92
September 1st .....	.83
October 1st .....	.75
November 1st .....	.67
December 1st .....	.58
January 1st .....	.50
February 1st .....	.42
March 1st .....	.33
April 1st .....	.25
May 1st .....	.17
June 1st .....	.08

★ *This is an approximate amount because each tax district uses a slightly different tax rate multiplied by assessment values determine by the Tax Assessor – but it's close!*

\*\*THE FOREGOING IS PROVIDED FOR GENERAL INFORMATION ONLY. FOR SPECIFIC QUESTIONS OR FINANCIAL, TAX OR ESTATE PLANNING, WE SUGGEST YOU CONTACT AN ATTORNEY OR CERTIFIED PUBLIC ACCOUNTANT.

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 "Your Property Is Our Specialty!"

**Eric Giat**  
 Real Estate Broker

4790 Irvine Blvd, Suite 105-340  
 Irvine, CA 92620

Office: (949)679-9373  
 Fax: (949)666-8071  
 email: [eric@giatcorporation.com](mailto:eric@giatcorporation.com)  
 Web: [www.giatcorporation.com](http://www.giatcorporation.com)