

# Meighen Haddad<sup>LLP</sup>

LAW FIRM

## Understanding Property Taxes

by: Stacy Senkbeil, *Partner*

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Owners of real property must pay property taxes annually to the municipality or provincial government. Taxes paid to the town/municipality are due in the summer or fall each year depending on the city/town/municipality. Regardless of the due date, the tax bill pertains to property taxes from the entire calendar year.

When purchasing a property, the real estate lawyer prepares a tax adjustment between the buyer and seller based on the number of days each party has owned the property during the calendar year, and who is or will be responsible for the payment of the tax bill that year.

There are two scenarios to consider here:

- 1) If the buyer is purchasing the property prior to taxes being paid for the calendar year, the buyer will be responsible for paying the whole tax bill when it becomes due. In light of that, the amount that is paid to the seller is reduced based on the seller's proportionate share of property taxes for the year.
- 2) The opposite is true where the buyer purchased the property after taxes have already been paid. In that situation, the buyer reimburses the seller for the buyer's proportionate share of the taxes that the seller paid on the buyer's behalf.

As an example, if the buyer is purchasing the property halfway through the year with possession on July 1, 2024 (in a leap year for demonstration purposes), and taxes are not yet due nor paid but will amount to \$1,200.00, then the tax adjustment would be as follows:

1.  $\$1,200.00 \times 183/366$  (half of the year) = \$600.00
2. \$600.00 less paid to the seller
3. The buyer pays for the whole bill when it is due.

If the buyer is purchasing the property in December, and taxes worth \$1,200.00 were already paid, then the tax adjustment would be as follows:

1.  $\$1,200.00 \times 30/366$  (one month) = \$98.36
2. \$98.36 extra paid to the seller

In recent years, there has also been an adjustment for the School Tax Portion of the property taxes and the resulting Education Rebate Cheques that homeowners have been receiving. For 2024, the Government is providing the rebate directly on your Property Tax Bill and therefore your lawyer shall ensure that there is an adjustment to take into account the expected reduction to the bill.

When purchasing property, it is always important to review the expected property taxes so that you are prepared for the timeline in which you are expected to make the payment. In the City of Brandon and some other municipalities, you may have the option of signing up for the Tax Installment Payment Plan (TIPP) to pay your taxes in regular monthly installments rather than once per year.

More details about the TIPP program can be obtained from the City of Brandon website:  
<https://brandon.ca/property-taxes-assessments/tax-installment-plan>

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The Author:

**STACY SENKBEIL**

*Partner*

sasenkbeil@mhlaw.ca

204.717.8750