



## **UNDERWRITING BULLETIN**

**To:** All National Agents  
**From:** WFG Underwriting Department  
**Date:** December 4, 2012  
**Bulletin No.:** DC-12042012-01  
**Re:** RE-ASSESSED BACK TAXES IN WASHINGTON, D.C.

The tax assessor in Washington, D. C. is conducting homestead tax deduction audits and re-assessing real estate taxes on properties that have lost their homestead tax deduction tax status. This can result in additional taxes amounting to thousands of dollars.

In a sale/purchase transaction, agents should require that the sellers confirm in writing if they have been residing at the property (and that the property is not rental property, etc.) and have applied for and received the homestead tax status deduction. In addition, agents should obtain a tax certificate from the taxing authority certifying the status of taxes. The receipt by the agent of a clean tax certificate estops D. C. from asserting a lien for unpaid taxes accrued prior to the date of the certificate but which are not specified in the certificate. If the certificate is not available at closing, funds sufficient to pay taxes, penalty, interest, etc., must be escrowed until a clean tax certificate is obtained or, if taxes or other charges are owed, they must be paid, and any excess funds refunded to the seller.

In a refinance situation, any homestead audit re-assessment taxes remain the responsibility of the owner/borrower. However, these taxes are super priority liens and must be handled in the same manner as the sale/purchase situation. One potential problem is that the new lender's loan cannot be sold with unpaid taxes owing as the taxes will have priority over the new lender's deed of trust or mortgage. Other potential problems are that the lender might foreclose its lien, or the property could be sold at a "tax sale". Both scenarios could result in claims.

Accordingly, our commitment requirements in these situations, both purchase and refinance, are as follows:

1. Receipt of a Tax Certificate from the District of Columbia showing no past due real estate taxes or governmental liens. An initial report could be based on the date shown on the website for the

Office of Tax and Revenue (OTR).

<http://cfo.washingtondc.gov/cfo/cwp/view,a,1324,q,590950,cfoNav,%7C33210%7C.asp>

2. On all closings involving properties benefitting from any exemptions, agents must obtain a verification and indemnification from the seller/borrower that she/he has properly claimed the District of Columbia Homestead Exemption or other applicable exemptions. The Homestead Exemption requires that she/he as the owner/applicant does occupy the property, the property contains no more than five dwelling units (including the unit occupied by the owner), and the property is the principal residence (domicile) of the owner/applicant.
3. If a tax certificate has not been obtained prior to closing an escrow sufficient to pay taxes, interest, penalty, etc. is required in addition to the verification and indemnification.
4. Prior to all closings the OTR website should be checked and the results printed out and kept in the file.

For additional information or guidance, please contact Roger Blauvelt at [rblauvelt@wfgnationaltitle.com](mailto:rblauvelt@wfgnationaltitle.com) or (407) 562-1269.

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