

# What You Should Know About **SPECIAL SERVICE AREAS (SSA)** When Buying a Home

## What is a Special Service Area (SSA)?

New homes in an SSA may be priced and marketed at lower prices because the infrastructure costs are not built into the cost of the home. Instead, the infrastructure costs are paid annually by the homeowner through Special Service Area assessments.

A Special Service Area (SSA) is a contiguous area within a municipality or county created by an ordinance of a municipality or county, often at the request of developers of new housing subdivisions, to pass on the costs of new infrastructure (i.e. streets, landscaping, water lines and sewer systems) to homeowners who reside in the SSA. They also are created to pay for repairs and maintenance of existing infrastructure. The funds collected through these assessments pay off bonds that are issued to pay infrastructure costs. Special Service Area boundaries are established by the municipality or county and can be a neighborhood, an entire subdivision or even an entire municipality. Prior to the first levy of taxes in the SSA, a public hearing must be held. In subsequent years another public hearing must be held if the tax levy increases are more than five percent.

## What are the purposes of creating an SSA in a residential area?

There are three purposes for creating an SSA in residential areas:

- To pay for **new infrastructure in a new subdivision**
- To pay for the **repairs and maintenance of existing infrastructure**
- To serve as a “fall-back” to **pay for existing infrastructure in the event that a homeowner’s association dissolves** and no longer maintain the infrastructure of the subdivision.



## Special Service Areas: What You Need To Know

You’ve got a new home, or maybe you’re still searching for your perfect house.



1. Your entire neighborhood, subdivision, or municipality could be subject to a **significant annual assessment**.
2. This assessment is a tax lien on your property, but it is **NOT tax deductible for NEW construction**.
3. Is your **new home located in an SSA?**  
Read on to learn more.



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## How is the assessment collected?

A Special Service Area assessment is a tax lien on the property. The assessment will appear on homeowner's property tax bill as a line item that says, "Special Service Area Number X: \$X,XXX.00." Most assessments range from \$1,000 to \$3,000 per year with annual increases ranging from two to five percent. These assessments are typically done for a period of 20 to 30 years.

## How do I know if a home is located in an SSA?

When searching for a new home, it is smart to check to see if the home you are interested in purchasing is in an SSA. Here are ways to check:

- If the house is a re-sale (not new construction), ask the seller for a copy of the latest property tax bill. The tax bill will have a separate line and dollar amount for the SSA. If there is a separate SSA line on the property tax bill with \$0 listed, either the assessment has been prepaid or the SSA is a "fall-back" SSA. In a "fall-back" SSA, the special assessments will start if the homeowner's association fails and the municipality has to maintain the infrastructure.
- If the home is newly-constructed, there's a greater chance that the property will be in an SSA. **Ask the developer if the home is in an SSA.** Remember: the SSA assessments on new homes won't appear on the property tax bills until the following year. Be sure to ask the developer or the sales agent if there is an estimate on the amount of the special assessment. It's important to take this amount into consideration when reviewing your monthly housing costs should you purchase that new home.
- You can contact the county clerk's office and give the clerk the home's PIN or call the municipality or county and ask if that home is located in an SSA. A certified copy of the ordinance creating the SSA must be filed with the clerk and must include an accurate map and a description of the special services to be provided. *This is public information!*

### Follow-up questions:

- What is the life of the bond?
- How much is the current assessment?
- What is the percentage of the maximum increase each year?
- Will the municipality take over the maintenance of the infrastructure after the bond is paid?

## Is the SSA Tax Deductible?

Even though these assessments appear on your property tax bills, they are only tax deductible on federal income tax forms if they are for repairs or maintenance of existing infrastructure. The assessments are NOT deductible if they are for NEW infrastructure.

***It's important to keep this in mind when buying a new home and considering all of your housing costs.***



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