Why are my property taxes increasing when the value of my home is decreasing?

Many of our loan customers have been asking, "Why are my property taxes increasing when the value of my home is decreasing?" Part of the challenge in answering this question is understanding the implications of Proposal A passed on March 15, 1994. This proposal placed limits on the taxable value used to compute property taxes.

What is Taxable Value?

Taxable Value is the amount against which the millage rate is applied to determine your property taxes. Proposal A limited the annual rate of taxable value increase to the lesser of 5% or the rate of inflation. This limitation was meant to insure that property taxes never increased "too much" as a result of dramatic increases in home values.

Home values in the recent past have been increasing much faster than the limits set in Proposal A. The taxable value of homes has been suppressed to a level far below their market value and tax payers have been "under paying" property taxes for the last few years.

Property taxes will continue to increase as long as the taxable value calculation does not exceed the assessed or market value of your home. Proposal A has no provisions for rapid tax decreases due to property or assessed value declines. Note that in 2009 your property market value may continue to decrease, your taxable value will increase up to 4.4% which is the stated inflation rate for this year.

How Can I Challenge My Property Tax?

If you believe the taxable value of your property is incorrect you have the option of challenging that value with your local taxing authority. Your taxing authority has a property tax worksheet on your home. That worksheet is very detailed and may be incorrect as to the listed square footage of your home, having a finished or unfinished basement or other factors. Those incorrect factors may overstate the value of your home and therefore increase your property tax bill. If you find yourself in this position you may consider investigating the taxable value of your home.

Yours truly,

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